

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE
COMMISSION
Plaintiff,
VERSUS
CHRISTOPHER A. FAULKNER, et al.
Defendant. (3:16-CV-01735-D
DALLAS, TEXAS
DECEMBER 14, 2017

TRANSCRIPT OF SHOW CAUSE
BEFORE THE HONORABLE SIDNEY A. FITZWATER
UNITED STATES DISTRICT JUDGE, and a jury

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1 SHOW CAUSE HEARING - DECEMBER 12, 2017

2 PROCEEDINGS

3 THE SECURITY OFFICER: All rise.

4 The United States District Court for the Northern
5 District of Texas is now in session, the Honorable Sidney A.
6 Fitzwater presiding.

7 Let us pray.

8 God save the United States and this Honorable Court.

9 THE COURT: Be seated, please.

10 The matter before the court is Securities and Exchange
11 Commission versus Christopher A. Faulkner and others.

12 At this time the court hear the temporary receiver's
13 motion for contempt as amended. I'll begin by asking counsel
14 to make their appearances for - record, beginning with counsel
15 for the temporary receiver.

16 MR. TOMKO: Your Honor, Ed Tomko from Dykema Cox
17 Smith with Jason Ross.

18 MR. BOISVERT: Good morning, Your Honor.

19 Carter Boisvert with the law firm of Friedman & Feiger.
20 I'm going to be joined today by my paralegal Scott Shall. And
21 I'm here today with my client, Christopher Faulkner.

22 MS. FAULKNER: Carole Faulkner for the nonparties
23 Carole Faulkner and U.S. Property Investments.

24 THE COURT: Mr. Tomko, do you wish to make an
25 opening statement?

1 MR. TOMKO: Yes, Your Honor. Very briefly.

2 THE COURT: You may approach the Lectern.

3 MR. TOMKO: We would invoke the rule, Your Honor,
4 for the witnesses, if there are any witnesses.

5 Do you have anybody in the courtroom?

6 MR. BOISVERT: Just my client.

7 MR. TOMKO: Okay. Well . . .

8 THE COURT: Why don't you go ahead, Mr. Tomko, while
9 they're working on it.

10 MR. TOMKO: May it please the court.

11 In this matter the receiver will establish before the
12 court by clear and convincing evidence that contempt of this
13 court has been perpetrated by Chris Faulkner and Carol
14 Faulkner in diverting funds that were identified as
15 receivership funds.

16 These funds were removed from the mail box in Colleyville
17 and have not been turned over to the receiver or accounted
18 for. This has been going on since at least the time that the
19 SEC filed their original complaint, which was in June of 2016.

20 In addition, the contempt individuals diverted mail from
21 the Colleyville mail box to a Grapevine mail box. They made
22 false statements concerning what mail was being delivered to
23 Grapevine. They failed to produce any corporate
24 representatives or custodians for the purpose of interview by
25 the receiver for the companies in which they were either

1 owners, managers, directors, officers, or counsel.

2 They have also failed to produce any records of the
3 corporations for any activities from at least the period of
4 June 2016 until the date of this hearing.

5 We would also show that there was contempt of this court
6 by Chris Faulkner, Carole Faulkner and U.S. Properties by
7 diverting proceeds from a sale of a company in California
8 called RackAll ey. We will show that those proceeds were
9 diverted to a separate company, U.S. Properties, that had no
10 interest in those proceeds at all, that there was false
11 documentation that was created in order to establish -- or
12 attempt to establish the appropriateness of that transfer, and
13 that we have had diverted at least \$60,000 that we know of
14 that was withdrawn from those proceeds, and a hold has been
15 placed on the additional \$150,000, which is in the custody of
16 the Bank of the West or still in the custody of RackAll ey.

17 Finally, we will show that Carole Faulkner is in contempt
18 of this court by her filing of a lawsuit in Los Angeles state
19 court against Mr. Taylor individually with -- and we will show
20 that in that lawsuit she never represents to the court that
21 Mr. Taylor is a -- a receiver of a federal court and that that
22 is in direct contravention of the orders that were issued by
23 this court at the beginning of this procedure.

24 At the end we will ask for the appropriate remedies for
25 this contempt.

1 Thank you.

2 THE COURT: Mr. Boisvert.

3 MR. BOISVERT: Thank you, Your Honor.

4 May it please the court.

5 Again, my name is Carter Boisvert. I'm here on behalf of
6 my client Chris Faulkner.

7 I think the issues here today, Your Honor, are -- are
8 very simple. And I think with respect to the evidence that's
9 relevant to the issues of this hearing today, I think the
10 evidence will show that my client is not in contempt of either
11 the court's August 14th, 2017 order appointing temporary
12 receiver or the court's September 25th, 2017 memorandum
13 opinion and order.

14 With respect to the assets of Breitling Royalties
15 Corporation, Your Honor, and the RackAlley sale, the August
16 14th, 2017 order is clearly limited to just -- to just oil and
17 gas assets. And with respect to whether it applies to
18 Breitling Royalties Corporation, Breitling Royalties
19 Corporation is not mentioned in the August 14th order. I
20 think because of that lack of clarity both the receiver and my
21 client sought clarification of that order and in the September
22 25th order the court did clarify that and extended the scope
23 of the receivership to the Breitling Royalties Corporation.

24 But with respect to the August 14th, 2017 order, Your
25 Honor, that order clearly does not apply -- it only applies

1 and it's very clear it only applies to oil and gas assets.

2 And I think the evidence will show that RackAlley is not
3 an oil and gas company, that the proceeds from the sale of
4 that company are not oil and gas assets.

5 Furthermore, when the court did clarify in its order on
6 September 25th that the scope of the receivership was going to
7 be much broader and cover all assets of the receivership
8 defendants, which by the way were defined as Breitling Energy,
9 Breitling Oil & Gas, and Christopher Faulkner, that it would
10 apply to all of their assets. I think the evidence will show
11 that the RackAlley sale and the transfer of the proceeds from
12 that RackAlley sale all occurred prior to that September 25th
13 order. Therefore, they were -- the sale of that company, the
14 assets, the proceeds from the sale of that company, fall under
15 the scope of the August 14th order, Your Honor, which clearly
16 did not extend to the RackAlley company, the RackAlley sale,
17 and RackAlley proceeds.

18 In order to hold Mr. Faulkner in contempt of court, as
19 the court is aware, the order that he's subject to and that
20 the violations apply to has to be crystal clear with respect
21 to what conduct constitutes contempt. And in this case I
22 think the August 14th order is ambiguous and vague with
23 respect to whether it does apply to Breitling Royal ties
24 Corporation.

25 My client is asserting his Fifth Amendment rights, Your

1 Honor, so to the extent the receiver is seeking to hold him in
2 contempt of court for not providing information that might
3 waive those rights, Mr. Faulkner simply cannot comply with
4 those terms of the order as he is asserting those rights.

5 Finally, with respect to the turnover of documents, we've
6 produced approximately 30 boxes of documents to the receiver.
7 We've done that electronically. We asked them if that's how
8 they wanted those documents -- documents produced.

9 Everything that my client has in his possession or that
10 we took possession of from Breitling, documents that weren't
11 seized by the SEC in the original seizure, were left over at
12 the offices, we've produced all of those documents.

13 So I can represent to the court that everything my client
14 has provided to me and that we have in our possession has been
15 turned over to the receiver at this time.

16 And so at the conclusion of this hearing, Your Honor,
17 we're going to ask that the court deny the relief requested by
18 the receiver and deny the motions for contempt.

19 Thank you.

20 THE COURT: Ms. Faulkner.

21 MS. FAULKNER: We're going to waive opening
22 arguments at this time, Your Honor.

23 THE COURT: Mr. Tomko, you may proceed.

24 MR. TOMKO: First witness, we would call
25 Mr. Rapoport.

1 MR. TOMKO: May it please the court.

2 Here is the witness exhibits.

3 Raise your right hand, please.

4 MATTHEW RAPOPORT, WITNESS, SWORN

5 THE COURT: Be seated, please. And if you'll speak
6 into the microphone.

7 DIRECT EXAMINATION

8 BY MR. ROSS:

9 Q. Could you state your name for the record.

10 A. Matthew Rapoport.

11 Q. And, Mr. Rapoport, where do you live?

12 A. I live in Los Angeles, California.

13 Q. Okay. And what's your occupation?

14 A. IT director.

15 Q. Okay.

16 Are you familiar with a company called RackAIley, LLC?

17 A. Yes, I am.

18 Q. How are you familiar with RackAIley?

19 A. I am you have the LLC members formerly.

20 Q. And if you could briefly describe, what is -- what is
21 RackAIley?

22 A. RackAIley is a web hosting company and internet
23 services.

24 Q. Are you familiar with a person named Christopher
25 Faulkner?

1 A. Yes, I am.

2 Q. Okay. Do you see him in the courtroom today?

3 A. Yes, I do.

4 Q. Okay. Do you have an understanding as to whether Chris
5 Faulkner was a member of RackAiley, LLC?

6 A. Yes, I do.

7 Q. All right. And in your mind is a member the same thing
8 as an owner of the LLC?

9 A. Yes. Yes, it is.

10 Q. Okay. Did -- was Chris Faulkner an owner of RackAiley,
11 LLC?

12 A. Yes, he was.

13 Q. Okay. What was the percentage of Chris Faulkner's
14 ownership of RackAiley?

15 A. 33.3 percent.

16 Q. Okay. And the binder in front of you, I'm going to ask
17 you to turn to Receiver's Exhibit 37.

18 Just let me know when you're there.

19 A. I'm there.

20 Q. Okay. Are you familiar with this document?

21 A. Yes, I am.

22 Q. Is this a document that was maintained at RackAiley?

23 A. Yes, it was.

24 MR. ROSS: I'm going to move for admission of
25 Receiver's Exhibit 37, Your Honor.

1 THE COURT: Any objection?

2 MR. BOISVERT: No objection, Your Honor.

3 MS. FAULKNER: No objection, Your Honor.

4 THE COURT: Receiver Exhibit 37 is admitted.

5 BY MR. ROSS:

6 Q. Could you briefly describe what this document is, what
7 Exhibit 37 is?

8 A. This was a member operating agreement to allow interest
9 to be acquired by Chris Faulkner.

10 Q. Okay. And what's the date on first line of that
11 document?

12 A. September 16th, 2011.

13 Q. And do you see where at the first paragraph of that
14 document it says, "This operating agreement is made and
15 entered into as of September 16th, 2011, by Christopher
16 Faulkner, an individual"?

17 A. Yeah.

18 Q. Did I read that correctly?

19 A. Yes.

20 Q. And then later in that same paragraph it says "referred
21 to as the members individually as a member"; is that correct?

22 A. That's correct.

23 Q. Did Chris Faulkner make monetary contributions to the
24 LLC?

25 A. Yes, he did.

1 Q. Do you know offhand what his -- what his monetary
2 contribution to -- to join as a member of the LLC was?

3 A. I'd like to correct that.

4 Q. Okay.

5 A. He made monetary contributions to myself and Mohamed
6 Arab.

7 Q. Okay. And did he do that -- did he make those monetary
8 contributions to yourself and Mr. Arab for purposes of buying
9 into RackAlley, buying an interest in it?

10 A. As one of the stipulations, yes.

11 Q. Okay. What other stipulations did you and Mr. Arab
12 require for Mr. Faulkner to obtain an ownership interest in
13 RackAlley?

14 A. He would pay rent at the office for -- for 12 months.

15 Q. Okay.

16 So that -- so let me stop you there, if I could.

17 So that was one of the stipulations, is that he would pay
18 rent.

19 Did Mr. Faulkner actually pay rent?

20 A. The rent was paid.

21 Q. Okay. Did he fulfill that obligation?

22 A. Yes.

23 Q. What other stipulations did you and Mr. Arab provide
24 before Mr. Faulkner could take an ownership position in
25 RackAlley?

1 A. He would run monthly marketing campaigns.
2 Q. And did in fact Mr. Faulkner do that?
3 A. Yes, he did.
4 Q. And did he pay money for marketing?
5 A. He did the marketing himself.
6 Q. Were there any other stipulations?
7 A. That we would receive ownership in Dr. Geek --
8 Q. Okay.
9 A. -- Corporation.
10 Q. Okay. And do you know whether -- whether that actually
11 happened?
12 A. I'm not sure.
13 Q. Okay.
14 I'd like you to turn -- before we go there, are you
15 familiar with Chris Faulkner's signature?
16 A. Yes.
17 Q. Okay. You've seen it on documents?
18 A. Yes.
19 Q. You've personally seen him sign things?
20 A. Yes.
21 Q. Okay. I'd like you to turn to the third page of Exhibit
22 37.
23 Right there in the upper left-hand corner, is that
24 Christopher Faulkner's signature?
25 A. Yes.

1 Q. The big loopy C?

2 A. Yes.

3 Q. Okay. Did you see him sign this document?

4 A. Yes.

5 Q. I'd like you to turn to Exhibit 39.

6 A. Are you there?

7 A. Yes.

8 Q. Are you familiar with this document?

9 A. Yes.

10 Q. And this was a document that was maintained as part of
11 the business documents of RackAIley?

12 A. Yes.

13 MR. ROSS: I would move for admission of Exhibit
14 39.

15 THE COURT: Any objection?

16 MR. BOISVERT: No objection, Your Honor.

17 MS. FAULKNER: No objection, Your Honor.

18 THE COURT: Receiver Exhibit 39 is admitted.

19 BY MR. ROSS:

20 Q. Could you tell the court what this document is.

21 A. This is the agreement for distributions of proceeds from
22 the sale of the RackAIley assets.

23 Q. And -- and this appears to be text on an email; is that
24 correct?

25 A. That's correct.

1 Q. So this was a draft of the -- of the terms of the
2 agreement; is that your understanding?

3 A. Yes, that's correct.

4 Now, what is the --

5 MR. BOISVERT: I'm sorry to interrupt. But I just
6 want to interpose an objection at this point as to the
7 relevance of this unless they can establish that RackAlley is
8 an oil and gas company, oil and gas asset. I don't see how
9 this is relevant with respect to the August 14th, 2017 order.

10 THE COURT: Overruled at this point.

11 MR. ROSS: Thank you, Your Honor.

12 BY MR. ROSS:

13 Q. Mr. Rapoport, what is the purpose of this -- of this
14 document?

15 A. To -- for the agreement of distributions to be paid out
16 to individuals.

17 Q. Okay. So -- so RackAlley was -- was selling its assets
18 to another company?

19 A. That's correct.

20 Q. Okay. What was the name of the company that RackAlley
21 was selling its assets to?

22 A. Hivelocity.

23 Q. Now, this document is dated August 18th; is that correct?

24 A. That first line there?

25 A. That's correct.

1 Q. Okay. As of August 18th did you have an understanding as
2 to the percentage of the proceeds Chris Faulkner was supposed
3 to receive from the sale of the RackAIley assets?

4 A. Yes, I was.

5 Q. What was that percentage?

6 A. Roughly 33.3 percent after -- after the Miller Capital
7 broker was paid.

8 Q. Okay. Now, it says here, if you look down at the portion
9 of the document that says who's going to receive what money,
10 there's a listing, the second listing is for \$283,833.33 to be
11 paid to U.S. Property Investments, USPI. Was USPI a member of
12 RackAIley, LLC?

13 A. No, it was not.

14 Q. Did USPI provide any services to RackAIley?

15 A. No, it did not.

16 Q. Did USPI act as RackAIley's broker on the sale?

17 A. No, it did not.

18 Q. Why is USPI receiving that 280 plus thousand dollars?

19 A. Because that's the -- that's the party that was -- that
20 Chris Faulkner had said that the money was to be going to.

21 MR. BOISVERT: I'm going to object to the hearsay,
22 Your Honor.

23 THE COURT: Overruled.

24 BY MR. ROSS:

25 Q. So Chris -- Chris Faulkner directed that his distribution

1 be paid to USPI?

2 A. That's correct.

3 Q. Mr. Rapoport, are you -- are you familiar with corporate
4 records of RackAlley that do not list Chris Faulkner as a
5 member of the LLC?

6 A. State records --

7 Q. Okay.

8 A. -- yes.

9 Q. But was, in fact, Chris Faulkner an owner of RackAlley,
10 LLC?

11 A. As the operating agreement stands. Yes.

12 Q. Did you understand Chris Faulkner to be in actuality one
13 of the owners --

14 A. Yes.

15 Q. -- of RackAlley, LLC?

16 A. Yes.

17 Q. Did you ever hear Chris Faulkner describe himself as an
18 owner of RackAlley, LLC?

19 A. Yes.

20 Q. He did?

21 A. Yes.

22 Q. I'd like you to turn to Exhibit 38.

23 Are you familiar with this document?

24 A. Yes.

25 Q. Is this document -- is this a document that was

1 maintained by RackAlley, LLC?

2 A. This was -- yes, it was.

3 MR. ROSS: I would move for admission of Receiver
4 Exhibit 38.

5 THE COURT: Any objection?

6 MR. BOISVERT: Well, I would object on the basis
7 that it appears to be an unsigned agreement and also it's
8 hearsay.

9 THE COURT: Overruled.

10 Any other objections?

11 MS. FAULKNER: No, Your Honor. I'll say the same
12 thing.

13 THE COURT: The objections are overruled.

14 Receiver Exhibit 38 is admitted.

15 BY MR. ROSS:

16 Q. Mr. Rapoport, is this another draft of the distribution
17 agreement for RackAlley's -- the proceeds of the RackAlley
18 sale?

19 A. This is a different draft, an initial draft.

20 Q. Okay. If you look on -- on this draft, it says right
21 there, about a third of the way down, \$300,000 to be paid to
22 Chris Faulkner - broker.

23 Do you see where I'm --

24 A. Yes.

25 Q. -- saying?

1 Did Chris Faulkner as a broker in the sale of RackAlley's
2 assets?

3 A. No, he did not.

4 Q. Who directed that Chris Faulkner be listed as a broker on
5 the sale -- on this document?

6 A. From what I recall, I believe a lawyer retained from
7 RackAlley through Mohamed, the other business partner, had
8 indicated that that would be the best way to proceed.

9 Q. I don't want to get into any privileged conversations
10 between RackAlley and its lawyers on that, but did you have an
11 understanding as to why that was the best way to proceed?

12 A. Because Chris wasn't listed on any official documents as
13 an owner of RackAlley.

14 Q. But you were -- you still understood him to be an owner?

15 A. That's correct.

16 Q. And Chris Faulkner was still expecting to be paid as an
17 owner; is that correct?

18 A. Yes. That's correct.

19 Q. And this -- this draft distribution agreement provides
20 that he will be paid in line with what the other owners were
21 paid; is that correct?

22 A. That's correct.

23 MR. ROSS: One moment, Your Honor.

24 I'll pass the witness, Your Honor.

25 THE COURT: Cross-examination.

1 MR. BOI SVERT: Thank you, Your Honor.

2 CROSS EXAMINATION

3 BY MR. BOI SVERT:

4 Q. You said -- you testified that RackAlley is a web hosting
5 internet services company?

6 A. That's correct.

7 Q. Does it have any involvement in any oil and gas business?

8 A. No, it does not.

9 Q. Would you characterize any of the proceeds from the sale
10 of RackAlley as oil and gas assets?

11 A. I would -- no.

12 Q. Okay. With respect to Exhibit 37, this agreement is
13 dated September 16th, 2011, correct?

14 A. That's correct.

15 Q. And you would agree that that date is before September
16 25th, 2017, correct?

17 A. That's correct.

18 Q. And then with respect to Exhibit 39, which is the
19 agreement for distribution of proceeds, that agreement is
20 dated August 18th, 2017. Correct?

21 A. That's correct.

22 Q. And, again, you would agree that that is before September
23 25th, 2017?

24 A. That is correct.

25 Q. And with respect to Exhibit 38, that's dated August 18th,

1 2017?

2 A. That is correct.

3 Q. And this was created prior to September 25th, 2017,
4 correct?

5 A. That's correct.

6 Q. When did RackAlley sell its assets?

7 A. September 15th, 2017.

8 Q. And, again, that's prior to September 25th, 2017?

9 A. That's correct.

10 Q. And when were proceeds from the sale of RackAlley
11 distributed to USPI?

12 A. I -- I do not have that information.

13 Q. Okay.

14 MR. BOISVERT: Pass the witness, Your Honor.

15 THE COURT: Ms. Faulkner.

16 MS. FAULKNER: Just a couple of questions, Your
17 Honor.

18 CROSS EXAMINATION

19 BY MS. FAULKNER:

20 Q. Mr. Rapoport, did RackAlley file R-- IRS tax returns each
21 year?

22 A. Yes, it did.

23 Q. And who are the members listed on those tax returns?

24 A. Myself and Mohamed Arab.

25 Q. But you're saying that Chris Faulkner owned a third?

1 A. That's correct.

2 Q. But he's not listed on any of the IRS tax forms?

3 A. That's correct.

4 Q. What about the state?

5 Because this is California, the state income tax forms.

6 A. He was not listed on those either.

7 Q. Only you and Mohamed Arab?

8 A. That's correct.

9 Q. All right. What about the public information that's
10 filed annually in California dealing with LLC, who was listed
11 as any of the members?

12 A. It was a Nevada LLC. And he was not listed on that
13 either.

14 Q. Okay. Are there any notices to the public that
15 Mr. Faulkner was listed or potentially a member of this LLC?

16 A. No.

17 Q. All right.

18 MS. FAULKNER: That's all, Your Honor.

19 THE COURT: Redirect?

20 REDIRECT EXAMINATION

21 BY MR. ROSS:

22 Q. Did Chris Faulkner know that he was a member of the LLC?

23 A. Yes, he did.

24 MR. BOISVERT: Object, speculation.

25 THE COURT: Overruled.

1 MR. ROSS: Nothing further, Your Honor.

2 THE COURT: Any recross?

3 MR. BOISVERT: No, Your Honor.

4 MS. FAULKNER: No, Your Honor.

5 THE COURT: Any objection to excusing the witness?

6 MR. BOISVERT: No.

7 THE COURT: All right. Thank you, sir. You may
8 step down.

9 You're excused.

10 MR. ROSS: Your Honor, just to clarify on one thing,
11 I believe the respondents have listed Mr. Rapoport as a
12 witness in their case in chief. He is going to be flying back
13 to California today and I was hoping he could be excused for
14 the remainder of the day.

15 MR. BOISVERT: He's not on my witness list, Your
16 Honor, so I'm fine with that.

17 THE COURT: Do you have any objection, Ms. Faulkner?

18 MS. FAULKNER: No, I don't, Your Honor.

19 THE COURT: All right. You're excused. And you may
20 return to California.

21 MR. RAPORT: Thank you.

22 MR. ROSS: Mr. Hallam, Your Honor.

23 THE COURT: Raise your right hand, please.

24 PARKER REESE HALLAM, WITNESS, SWORN

25 THE COURT: All right. Be seated, please, and speak

1 into the microphone.

2 DIRECT EXAMINATION

3 BY MR. TOMKO:

4 Q. Good morning.

5 A. Good morning.

6 Q. Would you state your full name for the record, please.

7 A. Parker Reese Hallam.

8 Q. And, Mr. Hallam, do you know Mr. Chris Faulkner?

9 A. Yes.

10 Q. Is he in the courtroom today?

11 A. Yes.

12 Q. How do you know Mr. Faulkner?

13 A. We were in business together.

14 Q. What kind of business were you in with Mr. Faulkner?

15 A. The oil and gas business.

16 Q. And what year did you go into business with him, sir?

17 A. 2009.

18 Q. Okay. What was the name of the business?

19 A. Breitling Oil & Gas Corporation.

20 Q. Okay. Who were the owners of Breitling Oil & Gas
21 Corporation in 2009?

22 A. Christopher Faulkner, Dusty Michael Miller Rodriguez, and
23 me.

24 Q. Okay. And how much did each of you own?

25 A. One-third.

1 Q. Now -- now, we have obtained records from the State of
2 Texas concerning the various businesses that are named
3 Breitling, and I have before you in that notebook Receiver's
4 Exhibit 54.

5 Can you --

6 A. Open it up?

7 Q. -- Look at that, please.

8 MR. TOMKO: Your Honor, this exhibit contains a
9 certification from the State of Texas that it is a true and
10 correct copy. And we would move the admission of 54,
11 Receiver's Exhibit 52, Receiver's Exhibit 55, Receiver's
12 Exhibit 56, and Receiver's Exhibit 53. All are state records
13 with certifications.

14 THE COURT: Any objection?

15 MR. BOISVERT: No objection, Your Honor.

16 MS. FAULKNER: No objection, Your Honor.

17 THE COURT: Receiver Exhibits 52, 53, 54, 55, and 56
18 are admitted.

19 MR. TOMKO: Thank you, Your Honor.

20 BY MR. TOMKO:

21 Q. Looking at Exhibit 54, what business does that indicate?

22 What business is that for, sir?

23 A. Breitling Oil & Gas Corporation.

24 Q. And is the designation of officers, directors, and other
25 personnel accurately displayed in that document?

1 A. Chris Faulkner was a director, not Tamra Freedman.

2 Q. All right. Who is Tamra Freedman?

3 A. It's Chris's wife, or former wife.

4 Q. And the other two are you, correct?

5 A. Say that one more time.

6 Q. The other -- the other directors are you and Mr. Miller?

7 A. Yes.

8 Q. All right. And Mr. Faulkner is designated as the

9 registered agent; is that correct?

10 A. Yes.

11 Q. All right. If you would, sir, go to Exhibit 52.

12 And can you -- is that an accurate depiction of the

13 members, directors, other officers of Breitling Royal ties

14 Corporation?

15 A. Tamra Freedman was not a director. Chris Faulkner was

16 the director. Otherwise, it's -- it's accurate.

17 Q. And Exhibit 53, can you look at that, sir.

18 And what entity is that?

19 A. Breitling Energy Corporation.

20 Q. And does this accurately depict the officers, directors,

21 and personnel?

22 A. It -- it does for -- it does when the company became a

23 public company, but I believe that Miller, myself -- Miller

24 and myself were directors of this company prior to the company

25 going public.

1 Q. And do you know when the company went public, what year?
2 If you know.
3 A. I could take a stab at it, but I'm not sure if I know the
4 exact --
5 Q. No. No. No.
6 A. -- date.
7 Q. How was -- how was that company formed?
8 Do you know how that -- the public company was formed?
9 A. Chris handled all the structuring of all the entities.
10 Q. Okay. Exhibit 55. That, sir, are you familiar with that
11 company?
12 A. Breitling Energy Companies, Incorporated?
13 Q. Yes.
14 A. Yes.
15 Q. Are the -- if you look at the page that designates
16 certificate of formation, does that accurately depict who the
17 directors were of that company, sir?
18 A. The certificate of formation for this says Breitling
19 Energy Corporation.
20 Q. And who are designated as the directors?
21 A. Chris Faulkner, Michael Miller, and me.
22 Q. Okay. Who -- who ran each of these Breitling companies?
23 Who was the officer who ran the company, sir?
24 A. Chris Faulkner.
25 Q. Who handled the finances of the companies?

1 A. Chris Faulkner.

2 Q. I'd like to show you what has been marked for admission
3 as Exhibit -- Receiver's Exhibit 70.

4 Would you look at that, sir.

5 What is that, sir?

6 What does that purport to be, that document, just the
7 document?

8 A. It's a -- it's a whiteboard presentation by Chris
9 Faulkner showing a diagram of the of the Breitling Oil & Gas
10 companies.

11 Q. Did you take that photograph?

12 A. I did.

13 Q. Is this a true and correct copy of the depiction of what
14 was in the photograph when you took it?

15 A. Yes.

16 Q. All right. And this is a true and correct copy of that
17 photograph?

18 A. Yes.

19 Q. All right.

20 MR. TOMKO: We would move for admission, Your Honor,
21 of Exhibit 70.

22 MR. BOISVERT: Your Honor, we filed a motion to
23 strike with respect to Exhibit 64 through 70. This particular
24 exhibit was produced to us and added to this Receiver's
25 Exhibit list, I believe, on Tuesday. The deadline to file

1 exhibit lists was last Thursday, and so we move to strike this
2 as being lately designated.

3 THE COURT: All right. The court, as it indicated
4 in its order, can determine in connection with this hearing
5 whether the exhibit should be stricken or disregarded.

6 At this point I don't know of a basis to strike it, other
7 than the timeliness, and therefore, I overrule the objection.

8 BY MR. TOMKO:

9 Q. When was the photograph --

10 THE COURT: Just a moment.

11 MR. TOMKO: I'm sorry.

12 THE COURT: Receiver Exhibit 70 is admitted.

13 BY MR. TOMKO:

14 Q. When was that photograph taken, sir, do you know?

15 A. November of 2012.

16 Q. Okay. And why did you take this photograph?

17 A. I wanted a copy of the diagram because at the time I
18 didn't understand fully what was going to happen with the
19 companies and how it was going to be reorganized.

20 Q. Now, you were not an officer of the public company; is
21 that correct?

22 A. Not when it was a publicly-traded company.

23 MR. TOMKO: Okay. That's all we have, Your Honor.

24 Pass the witness.

25 THE COURT: Cross-examination.

1 | CROSS EXAMINATION

2 BY MR. BOISVERT:

3 Q. Good morning, Mr. Hallam.

4 A. Good morning.

5 Q. I've just got a few questions for you.

6 If you can turn back to Exhibit 52, the first page.

7 The first page lists two public information reports, one
8 filed on December 31st 2012, and one filed on December 31st
9 2012.

10 Do you see that?

11 A. So the public information report December 31st, 2012,
12 yes.

13 Q. Yes. Did the receiver show you a copy of that report
14 before your testimony today?

15 | A. | -- | don't recall | .

16 Q. And -- and that report would have listed who the officers
17 and directors of Breitling Royalties Corporation would be?

18 | A. | -- | don't recall | .

19 Q. Okay. Are you familiar with what information is on a
20 public information report?

21 A. No.

22 Q. And, again, with respect to the public information report
23 filed on December 31st, 2012, were you shown a copy of that
24 report?

25 A. I don't recall.

1 Q. Okay. And do you know if that -- do you know if that
2 report would have shown who the officers and directors of
3 Breitling Royal ties Corporation were?

4 A. I don't know.

5 Q. Do you know whether or not Christopher Faulkner was
6 listed as a director in either of those two reports?

7 A. I don't recall seeing them.

8 Q. Okay. And with respect -- there's another public
9 information report that was filed on December 31st, 2013,
10 effective as of March 26, 2014.

11 Were you shown a copy of that report before --

12 A. I'm not -- I'm not sure where you're talking about. Say
13 that again.

14 Q. Oh, it's the -- it's the I believe fifth item down?

15 A. On the same page?

16 Q. On the same page. Yes.

17 A. The December 31st?

18 Q. 2013.

19 A. Okay. What's the question?

20 Q. Were you shown a copy of that report before your
21 testimony today?

22 A. I don't recall.

23 Q. Okay. And do you know whether that report would have
24 listed Christopher Faulkner as a director of Breitling
25 Royal ties Corporation?

1 A. I don't know.

2 MR. BOISVERT: I'll pass the witness, Your Honor.

3 MS. FAULKNER: No questions of this witness, Your
4 Honor.

5 MR. TOMKO: One question.

6 THE COURT: Redirect?

7 MR. TOMKO: One question.

8 REDI RECT EXAMINATION

9 BY MR. TOMKO:

10 Q. The Breitling companies, who was the owner of the private
11 Breitling companies?

12 A. The private Breitling companies, so can you name the
13 companies for me?

14 Q. Breitling Oil & Gas, Breitling Energy, and Breitling
15 Royalty.

16 A. The owners of the companies for Breitling Oil & Gas
17 before it went public were Chris Faulkner, Michael Miller, and
18 me.

19 Q. And is that true for the other Breitling privately-owned
20 companies?

21 A. Yes.

22 MR. TOMKO: No further questions.

23 THE COURT: Any other questions?

24 MR. BOISVERT: One last question, Your Honor.

25 RECROSS EXAMINATION

1 BY MR. BOISVERT:

2 Q. When were you last associated with Breitling Royal Ties
3 Corporation?

4 A. Can you ask the question in another way perhaps?

5 I'm not . . .

6 Q. Well, what was -- what was your role with respect to
7 Breitling Royal Ties Corporation?

8 A. I owned one-third of the company.

9 Q. Okay. And when were -- when was -- when was the last
10 time you owned one-third of the company?

11 A. I don't recall.

12 Q. Can you approximate?

13 In the last year?

14 A. I -- I don't know.

15 Q. In the last six months?

16 A. I don't know.

17 Q. Okay.

18 MR. BOISVERT: Nothing further, Your Honor.

19 MS. FAULKNER: No questions, Your Honor.

20 THE COURT: Any objection to excusing the witness?

21 MR. TOMKO: No objections, Your Honor.

22 THE COURT: All right. Thank you, sir.

23 You may step down. You're excused.

24 MR. TOMKO: Mr. Miller.

25 Next witness is Mr. Miller, Your Honor.

1 THE COURT: Raise your right hand, please.

2 MICHAEL MILLER RODRIGUEZ, WITNESS, SWORN

3 THE COURT: Be seated, please, and speak into the
4 microphone.

5 DIRECT EXAMINATION

6 BY MR. TOMKO:

7 Q. State your name for the record, please.

8 A. Dustin Michael Miller Rodriguez.

9 Q. Are you familiar with Chris Faulkner?

10 A. I am.

11 Q. Do you see him here in the courtroom today?

12 A. I do.

13 Q. How did you -- what is your relationship with
14 Mr. Faulkner?

15 A. I met him through Parker Hallam.

16 Q. And what type of relationship did you have with him?

17 A. Business relationship.

18 Q. What types of businesses did you deal with Mr. Faulkner
19 in?

20 A. Breitling Crude and Patriot oil companies.

21 Q. In the oil and gas business?

22 A. That's correct.

23 Q. Okay.

24 Were you a co-owner of these businesses with
25 Mr. Faulkner?

1 A. I was.

2 Q. And who else was a owner of those businesses, if anyone?

3 A. Chris Faulkner, Parker Hallam, and myself.

4 Q. Okay. And those businesses include Breitling Oil & Gas

5 Company, the private company. Are you familiar with that?

6 A. Yeah.

7 Q. Okay. What was Chris's role in Breitling Oil & Gas

8 Company, the private company?

9 A. CEO.

10 Q. Okay. And who managed that company on a day-to-day

11 basis?

12 A. He did.

13 Q. Who managed the finances of that company?

14 A. He did.

15 Q. Okay. What about Breitling Royal ties Corporation, who --

16 who were the owners of that?

17 A. Chris Faulkner, Parker Hallam, and myself.

18 Q. And who managed that company on a day-to-day business?

19 A. Chris Faulkner.

20 Q. Who managed the finances of that company?

21 A. Chris Faulkner.

22 Q. Are you familiar with Carole Faulkner?

23 A. I am.

24 Q. How did you become familiar with her?

25 A. That's Chris's mom. And at the beginning of the

1 companies she was there for advice. And she helped me with my
2 child support one time. And she help me set up my LLC.

3 Q. You say she was there for advice. She was advising you
4 and the other officers or directors concerning these oil and
5 gas companies?

6 A. You know, I don't know. She never gave me advice
7 directly on the companies, but I think Chris would lean on her
8 for a little bit for advice before we had general counsel.

9 Q. Do you know whether or not she played any role in -- in
10 forming these companies?

11 A. I do not know.

12 Q. Okay.

13 Breitling Energy Corp., Inc., that's a public company,
14 are you familiar with that?

15 A. A little bit.

16 Q. Okay. What role, if any, did you hold in that?

17 A. Can you repeat that question?

18 Q. What role did you have in the public company?

19 A. I believe I was a director.

20 Q. All right. Who ran the public company?

21 A. Chris Faulkner.

22 Q. Who ran the finances of the company?

23 A. Chris Faulkner.

24 Q. How is the public company formed, are you familiar with
25 that?

1 A. Very little. I believe it backed into another company
2 called Breitling.

3 Q. Called Breitling?

4 A. Uh-huh.

5 Q. Was that a shell company at the time, do you know?

6 A. I think so.

7 Q. All right. And Breitling Royalty Fund, LLC, are you
8 familiar with that, sir?

9 A. I am not.

10 Q. You are not?

11 Okay. Breitling Energy Corporation, the public company,
12 was that -- who owned the public company?

13 A. I would say Breitling owned it.

14 Q. Breitling the -- what Breitling entities, if you know?

15 A. I do not know.

16 Q. Okay. Are you familiar with a company called Crude
17 Energy?

18 A. Yes.

19 Q. Okay. And what is Crude Energy?

20 A. Crude was just a money raising company. Essentially it
21 took over what Breitling left behind when it went public.

22 Q. Okay. Who was -- who were the officers of Crude?

23 MR. BOISVERT: Your Honor, I'm going to object to
24 the relevance of Crude Energy.

25 THE COURT: Overruled at this point.

1 BY MR. TOMKO:

2 Q. Who were the officers of Crude?

3 A. Parker Hallam and myself.

4 Q. Who ran Crude?

5 A. Parker did, primarily.

6 Q. Okay. Did Chris play any role in Crude?

7 A. Yes.

8 Q. All right. Who role did he play?

9 A. I think he just over -- he was overseeing it. He was
10 over the top of it.

11 Q. When you say "over the top of it," what -- what does that
12 finally mean?

13 A. I think he made the final decisions. He was the decision
14 marker.

15 Q. He was the decision marker?

16 A. I believe so.

17 Q. All right. What about Patriot Energy, are you familiar
18 with that?

19 A. I am.

20 Q. What role, if any, did you have to be in that?

21 A. I was supposed to be the owner of it.

22 Q. When you say you were "supposed to be," what does that
23 mean?

24 A. Well, you know, come to find out Chris really made the
25 decisions on that as well --

1 Q. I see.

2 A. -- just like Crude.

3 Q. Who -- who made all -- who handled all the finances for
4 the companies that we've just discussed?

5 A. Chris.

6 Q. For all of the companies?

7 A. Yes.

8 MR. TOMKO: That's all I have, Your Honor.

9 THE COURT: Cross-examination.

10 CROSS EXAMINATION

11 BY MR. BOISVERT:

12 Q. Good morning.

13 A. Good morning.

14 Q. When were you last involved with Breitling Royal ties
15 Corporation?

16 A. I can't remember. It's been a long time.

17 Q. Maybe 2012?

18 A. Maybe.

19 Q. But certainly within the last -- not in the last few
20 years?

21 A. Correct.

22 Q. And would it be fair to say that you have no personal
23 knowledge with respect to the ownership or management of
24 Breitling Royal ties Corporation since you left?

25 A. Yes.

1 Q. Would that also -- when did you leave these other
2 companies you just referenced, Crude Energy and the others?

3 A. I left Crude when it was over. Parker had walked away
4 from it and that's when I left it, right away.

5 Q. Was that several years ago as well?

6 A. Yeah.

7 Q. And would the same be fair to say you don't know with
8 respect to the ownership or management of those companies, you
9 don't know who was in control of that after you left?

10 A. You can say that.

11 Q. Okay.

12 MR. BOISVERT: Pass the witness, Your Honor.

13 MS. FAULKNER: No questions, Your Honor.

14 MR. TOMKO: No objection.

15 THE COURT: Any objection to excusing the witness?

16 MR. TOMKO: No objection, Your Honor.

17 MR. BOISVERT: No, Your Honor.

18 MS. FAULKNER: No, Your Honor.

19 THE COURT: Thank you, sir. You may step down.

20 You're excused.

21 THE WITNESS: You're welcome.

22 MR. ROSS: Your Honor, the receiver calls Patrick
23 Craine.

24 THE COURT: Raise your right hand, please.

25 PATRICK CRAINE, WITNESS, SWORN

1 THE COURT: Be seated, please, and speak into the
2 microphone.

DI RECT EXAMI NATI ON

4 BY MR. ROSS:

5 Q. Mr. Craine, could you state your name for the record and
6 spell your last name, please.

7 A. Patrick Craine, C-r-a-i -n-e.

8 Q. Where are you live?

9 A. Oklahoma City.

10 Q. And what is your occupation, Mr. Crane?

11 A. I'm the deputy general counsel and the chief risk and
12 compliance officer at Chesapeake Energy.

13 Q. And you're also a Texas licensed attorney; is that
14 correct?

15 A. I am.

16 Q. How long have you been licensed?

17 A. Twenty years.

18 Q. And how long have you worked at Chesapeake?

19 A. Five years in June.

20 Q. All in the same position?

21 A. Started out as the chief compliance officer and then
22 transitioned to deputy general counsel and chief risk and
23 compliance officer later.

24 Q. Okay. And before taking the job at Chesapeake you
25 practised law in the D/FW area; is that correct?

1 A. Yes.

2 Q. I'd like you to turn in the binder there and -- and I look
3 briefly at Exhibits 42 and 43. If you could look at those.

4 Are you familiar with those documents?

5 A. I am.

6 Q. Did Chesapeake have a business relationship with some of
7 the Breitling companies?

8 A. Yes.

9 Q. Did Chesapeake come -- come into Exhibits 42 and 43 as
10 part of its business records?

11 A. Yes. They were served on us in mid-August of this year,
12 I believe.

13 MR. ROSS: I would move for admission of receiver's
14 Exhibits 42 and 43.

15 MR. BOISVERT: No objection.

16 THE COURT: Receiver Exhibits 42 and 43 are
17 admitted.

18 BY MR. ROSS:

19 Q. And I'm sorry if -- if you've already answered this, but
20 when did Chesapeake come into possession of these documents?

21 A. Mid-August of this year.

22 Q. And they were served upon Chesapeake; is that your
23 understanding?

24 A. That's correct.

25 Q. And after they were served on Chesapeake did they come to

1 your attention individually?

2 A. They did.

3 Q. And what did you do once you received these documents?

4 A. I read the documents and then looked at the parties
5 involved and then requested that our team research the
6 different entities involved and suspend payments until we
7 determined what the company needed to do.

8 Q. Okay. When you say that you requested that they suspend
9 payments, suspend payments to whom?

10 A. To any of the entities involved in the receipt
11 order.

12 Q. Okay. And how did you describe to your team what
13 entities were involved?

14 A. I gave them the names of the pleadings -- names on the
15 pleadings and then told them to look for anything related to
16 Mr. Faulkner or Breitling and have them research that and get
17 back to me.

18 Q. And so that was your internal staff that performed that
19 research for you?

20 A. Yes.

21 Q. Okay. When did your staff return the results of your
22 request?

23 A. I believe August 23rd or August 24th.

24 Q. I'd like you to look at Exhibit 45.

25 Are you familiar with this document?

1 A. I am.

2 Q. Is this document one of the documents that was sent to
3 you by your team in connection with the research you asked
4 them to perform?

5 A. It was.

6 MR. ROSS: I would move for admission of Exhibit
7 45.

8 THE COURT: Any objection?

9 MR. BOISVERT: No -- well, I object on the basis
10 that it's hearsay, Your Honor.

11 THE COURT: Will you lay the foundation for the
12 business record?

13 MR. ROSS: Yeah. Absolutely, Your Honor.

14 BY MR. ROSS:

15 Q. Is -- is Exhibit 45 a -- a document that's kept in the
16 normal course of Chesapeake's business?

17 A. It is.

18 Q. And is it created or maintained at the time that it
19 was -- of the events described therein?

20 A. It is.

21 Q. And as part of its normal business to keep records like
22 this?

23 A. Yes.

24 MR. ROSS: I'll move for admission of Exhibit 45.

25 MR. BOISVERT: No further objection, Your Honor.

1 THE COURT: And will you establish whether the
2 information provided was by someone with personal knowledge?

3 MR. ROSS: Yes. Of course, Your Honor.

4 BY MR. ROSS:

5 Q. Was the information in Exhibit 45 provided by someone
6 with personal knowledge?

7 A. Yes.

8 Q. Now, if we could get a little bit to the meat of the
9 document.

10 THE COURT: Let the court make a ruling then.

11 MR. ROSS: I apologize, Your Honor.

12 THE COURT: The objection is now overruled and
13 receiver Exhibit 45 is admitted.

14 BY MR. ROSS:

15 Q. And Exhibit 45 was one of the documents returned to you
16 by your team in response to your research request?

17 A. Yes.

18 Q. I'd like you to turn to Exhibit 46.

19 Are you familiar with this document?

20 A. I am.

21 Q. And is this -- is this a document that is kept in the
22 normal course of Chesapeake's business?

23 A. It is.

24 Q. And maintained as part of its business?

25 A. It is.

1 Q. And are the events described therein made by someone at
2 Chesapeake with personal knowledge thereof?

3 A. They are.

4 MR. ROSS: Your Honor, I would move for admission of
5 Exhibit 46.

6 MR. BOISVERT: No objection, Your Honor.

7 THE COURT: Receiver Exhibit 46 is admitted.

8 BY MR. ROSS:

9 Q. I'd like you to flip -- look if you could at Exhibit 57.
10 I'm sorry. Forget that. Never mind.

11 I'd like you to look at Exhibit 47.

12 Are you familiar with Exhibit 47?

13 A. Yes.

14 Q. Is this a document that was maintained by Chesapeake?

15 A. Yes.

16 Q. And is this a document that was returned to you in
17 response to your request for research regarding the temporary
18 restraining order and the order appointing the temporary
19 receiver?

20 A. Yes.

21 MR. ROSS: I would move for admission of Exhibit
22 47.

23 MR. BOISVERT: No objection, Your Honor.

24 MS. FAULKNER: No objection, Your Honor.

25 THE COURT: Receiver Exhibit 47 is admitted.

1 BY MR. ROSS:

2 Q. I'd like you to look at Exhibit 48, if you could.

3 Are you familiar with this document?

4 A. I am.

5 Q. Is this a document maintained by Chesapeake?

6 A. Yes.

7 Q. And was this document provided to you by your staff in
8 response to your request for research regarding the TR0 and
9 the order appointing the temporary receiver?

10 A. Yes.

11 MR. ROSS: I would move for admission of Exhibit 48,
12 Your Honor.

13 MR. BOISVERT: No objection, Your Honor.

14 MS. FAULKNER: No objection, Your Honor.

15 THE COURT: Receiver Exhibit 48 is admitted.

16 BY MR. ROSS:

17 Q. And Exhibit 49, if you could.

18 A. Yes.

19 Q. Are you familiar with this document?

20 A. I am.

21 Q. And was this again a document that was provided to you by
22 your staff at Chesapeake in response to your request for
23 research regarding the TR0 and the order appointing the
24 receiver?

25 A. Yes.

1 MR. ROSS: I would move for admission of Exhibit
2 49.

3 MR. BOISVERT: No objection, Your Honor.

4 MS. FAULKNER: No objection, Your Honor.

5 THE COURT: Receiver Exhibit 49 is admitted.

6 BY MR. ROSS:

7 Q. And I'd like you to look at Exhibit 50, if you could.

8 A. Yes.

9 Q. Is this a document that was maintained by Chesapeake?

10 A. Yes.

11 Q. And this is maintained in Chesapeake's files?

12 A. Yes.

13 Q. And was this, again, a document that was provided to you
14 by your staff in response to your request for research as to
15 the TRO and the order appointing the temporary receiver?

16 A. Yes.

17 MR. ROSS: I would move for admission of Exhibit
18 50.

19 MR. BOISVERT: No objection, Your Honor.

20 MS. FAULKNER: No objection, Your Honor.

21 THE COURT: Receiver Exhibit 50 is admitted.

22 BY MR. ROSS:

23 Q. And I'd like you to look at Exhibit 51, if you could.

24 A. Yes.

25 Q. And are you familiar with this document?

1 A. I am.

2 Q. And is this document that was provided to you by your
3 staff in response to your request for research regarding the
4 TRO and the order appointing temporary receiver?

5 A. Yes.

6 MR. ROSS: I would move for admission of Exhibit
7 51.

8 MR. BOISVERT: The Exhibit 51 I have, Your Honor,
9 just appears to be a blank electronic change of address form,
10 so I'm not sure what the relevance is.

11 MR. ROSS: I think we can establish relevance and
12 I'm happy to go through the business records colloquy.

13 MR. BOISVERT: I mean, there's no information on it.

14 THE COURT: Why don't you ask a few more
15 foundational questions. It's not a hearsay objection he's
16 making, it's really a relevance objection.

17 MR. ROSS: Sure. Okay.

18 BY MR. ROSS:

19 Q. Exhibit 51, is -- is that a document that was provided to
20 Breitling Royal ties Corporation?

21 A. Yes.

22 Q. And -- and that Exhibit 51 was provided to you as -- as
23 part of your request for research regarding the Breitling
24 companies; is that correct?

25 A. Yes.

1 MR. ROSS: Now I would move for its admission, Your
2 Honor.

3 THE COURT: Any objection?

4 MR. BOISVERT: Well, again, Your Honor, this -- this
5 Exhibit 51 doesn't reflect a document that was sent to
6 Breitling, so, again, I -- I object to the relevance.

7 THE COURT: The objection goes to the weight and is
8 overruled.

9 Receiver Exhibit 51 is admitted.

10 BY MR. ROSS:

11 Q. And, Mr. Craine, just to address these, sort of in their
12 totality, do Exhibits 45 through 51, is -- is that the entire
13 package that was provided to you by your staff in response
14 to -- to your request for research on the TR0 and order
15 appointing --

16 A. Yes. These were the documents they provided.

17 Q. Okay. Look at Exhibit 45.

18 A. Yes.

19 Q. This is a document called division order instruction
20 sheet. Can you provide the court with a little explanation as
21 to what this is?

22 A. Yes. When a well comes into production this is the form
23 provided as far as address and also changes of address.

24 Q. Okay. And so this particular Exhibit 45 was provided
25 to -- to Breitling Royalties Corp.; is that correct?

1 A. Yes.

2 Q. And if you would turn -- flip back to Exhibit 51.

3 This blank change of address form, was that also provided
4 to Breitling Royal ties Corp. ?

5 A. I am not sure.

6 Q. Okay.

7 But in any event, this was part of the package that was
8 returned to you for research --

9 A. Correct.

10 Q. -- after research.

11 I'd like you to look at Exhibit 46.

12 This is a change of address form; is that correct?

13 A. Yes.

14 Q. And this is something that -- that Chesapeake would keep
15 on file?

16 A. Yes.

17 Q. And who -- if -- if you look there at the second page --

18 MR. BOISVERT: I'm sorry. I apologize. What
19 exhibit this?

20 MR. ROSS: 46.

21 MR. BOISVERT: Thank you.

22 BY MR. ROSS:

23 Q. Down towards the bottom, who does it say filled out this
24 form?

25 A. Chris A. Faulkner.

1 Q. Okay. And there towards the top, it says "your name,"
2 who does it say?

3 A. Chris Faulkner.

4 Q. And what is the new address that's provided there?

5 A. 2150 West Northwest Highway, Suite 114-1133, Grapevine,
6 Texas, 76034.

7 Q. Okay. So just to back up a little bit, what's the
8 purpose of this change of address form for Chesapeake's
9 purposes?

10 A. This is where to send revenue checks. So this is asking
11 us to change the distributions from 3930 Glad Road to the
12 Northwest Highway address.

13 Q. If you flip back to the first page on that, what's the
14 date on this document?

15 A. The email was sent Tuesday, August 15, 2007, at 10:04
16 a.m.

17 Q. Okay. Now, if you flip to Exhibit 49.

18 A. Yes.

19 Q. Does this appear to be the -- in substance the same
20 change of address form as we just saw in Exhibit 46?

21 A. Yes. The one difference I would note that there's a
22 mail room stamp from Chesapeake on top.

23 Q. Okay. So Exhibit 46 was provided electronically?

24 A. Correct.

25 Q. And Exhibit 49 would be -- would convey the same

1 information about the change of address but it was received by
2 mail; is that correct?

3 A. Yes. This would be the physical hard copy sent to our
4 mail room.

5 Q. Okay. And if you look at the second page there --

6 A. Yes.

7 Q. -- is that a letter from Chris Faulkner?

8 A. Yes.

9 Q. And what's the date of that letter?

10 A. August 15, 2017.

11 Q. Okay.

12 And at the end of that first paragraph, Mr. Faulkner is
13 saying "Please update your records and forward all
14 communications, payments, and documents to the new address"?

15 A. Yes.

16 Q. And that new address being the address on Northwest
17 Highway; is that correct?

18 A. Correct.

19 Q. And the third page of that document, that's the photocopy
20 of the envelope that Chesapeake would keep?

21 A. Correct.

22 It has the mail room stamp as well.

23 Q. Now, if you could turn back to Exhibit 47.

24 A. Yes.

25 Q. If you flip to the second page of this document it's --

1 it's a document entitled division order.

2 Could you provide the court with a little background of
3 what this document is.

4 A. It is instructing us where distributions and proceeds
5 should be sent.

6 Q. And, again, the second page is changing this from an
7 address on Glade Road to a new address on Northwest Highway;
8 is that correct?

9 A. Correct.

10 Q. And if you flip back to the first page --

11 A. Yes.

12 Q. -- was this document electronically submitted to
13 Chesapeake?

14 Okay. But it appears there's -- there's a handwritten
15 signature and the actual form is handwritten.

16 Do you require a handwritten form for this division
17 order?

18 A. Yes. And a signature.

19 Q. Okay. So even if it's sent electronically it's -- it's
20 got to be printed out and hand signed?

21 A. Yes.

22 Q. And -- and the first page indicates that this is sent
23 from Christopher Faulkner; is that correct?

24 A. Yes.

25 Q. And what's the date that this was sent and the time?

1 A. Tuesday, August 15, 2017, at 12:09 p.m.

2 Q. And if you could look at Exhibit 49?

3 A. Yes.

4 Q. I'm sorry. Exhibit 48.

5 A. Yes.

6 Q. Is this the -- in substance the same division order that
7 was in Exhibit 47 but conveyed by mail rather than
8 electronically?

9 A. Yes.

10 Q. And if you look at the second page you'll see the
11 mail room stamp?

12 A. Yes.

13 Q. When -- when was this actually received by Chesapeake?

14 A. August 18, 2017.

15 Q. Now, if you look at the last pages of Exhibit 48 and
16 49 --

17 A. Yes.

18 Q. -- those appear to be duplicates of the same -- photocopy
19 of the same envelope?

20 A. Yes.

21 Q. Were Exhibits 48 and 49 sent in the same package?

22 A. I am not sure.

23 Q. Okay. But if you look at Exhibit 50, there's a UPS
24 tracking history?

25 A. Yes.

1 Q. That would appear to correlate to those two documents; is
2 that correct?

3 A. Yes.

4 Q. Okay. And if you look at the second page of Exhibit 50,
5 does that indicate when the actual -- when the package was
6 sent -- was provided to the United States Postal Service for
7 delivery?

8 A. Yes, it does.

9 Q. And when was that?

10 A. August 15, 2017, at 4:25 p.m. It notes USPS in
11 possession of item in Los Angeles.

12 Q. Okay. Now, you testified earlier you received these
13 Exhibits 49 -- or 45 through 51 from your research department
14 on August 23rd or August 24th?

15 A. Correct.

16 Q. What did you do after you received these change of
17 address forms back?

18 Go ahead.

19 A. I believe I received them late the 24th and then
20 contacted the receiver and the SEC on the morning of the 25th.

21 Q. And what did you tell them when you contacted them?

22 A. I conveyed what was in the research and then sent them an
23 email detailing the different documents and the research
24 findings.

25 Q. Okay. So you conveyed to them that at or around August

1 15th change of address forms and division orders indicating a
2 change of address were sent by Chris Faulkner for Breitling
3 Royal Ties Corp.?

4 A. Yes.

5 Q. Okay. So you talked to the SEC and you talked to the
6 receiver.

7 What other actions did you take?

8 A. Later that day I took the substance of the email I'd sent
9 and put it in the form of a declaration that I submitted to
10 the SEC and the receiver on the 25th.

11 Q. Did you also suspend any payments from going out?

12 A. Yes.

13 Q. Is that suspension still in effect?

14 A. Yes.

15 Q. Is this the first time that Chesapeake has had to suspend
16 an account when there's some sort of question as to ownership
17 of that account?

18 A. No, it isn't.

19 Q. What other contexts does that come up in?

20 A. We see it with government orders, sometimes tax liens,
21 title disputes, and other governmental orders, and court
22 orders.

23 Q. Okay. And what is Chesapeake's response to those --
24 those sorts of --

25 A. Essentially the exact same thing that occurred here. We

1 research the issue, put the funds in suspense, and then wait
2 for further direction before distributing any proceeds.

3 MR. ROSS: Pass the witness, Your Honor.

4 THE COURT: Cross-examination.

5 CROSS EXAMINATION

6 BY MR. BOISVERT:

7 Q. Morning. I just have a few questions for you.

8 If you could turn back to Exhibit 42, Exhibits 42 and 43.

9 A. Yes.

10 Q. Would you agree with me that Breitling Royal Ties
11 Corporation is not mentioned in either of these orders?

12 A. Yes.

13 MR. BOISVERT: Nothing further, Your Honor.

14 MS. FAULKNER: No questions, Your Honor.

15 THE COURT: Any other questions?

16 MR. ROSS: Yes. Briefly, Your Honor.

17 REDIRECT EXAMINATION

18 BY MR. ROSS:

19 Q. I'd like you to look back at Exhibit 43, if you could.

20 A. Yes.

21 Q. I'd like you to look at the second paragraph on the first
22 page.

23 A. Yes.

24 Q. Where it says, "The court finds that, based on the record
25 in these proceedings, the appointment of a temporary receiver

1 in this action is necessary and appropriate for the purposes
2 of marshalling and preserving all oil and gas related
3 assets-in any form or of any kind whatsoever" --

4 Did I read that correctly?

5 A. Yes.

6 Q. -- "owned, controlled, possessed, or managed, directly or
7 indirectly, by defendant Christopher A. Faulkner."

8 Did I read that correctly?

9 A. Yes.

10 Q. And it was your understanding that in Exhibits 45 through
11 51 Christopher Faulkner was the one conveying information
12 regarding a change of address?

13 A. Yes.

14 Q. And if you look last -- last page of Exhibit 43, if you
15 could.

16 A. Yes.

17 Q. Does this indicate when this order was signed?

18 A. Yes.

19 Q. When was that?

20 A. August 14, 2017, at 7:52 a.m.

21 MR. ROSS: Pass the witness, Your Honor.

22 THE COURT: Any recross?

23 MR. BOISVERT: No, Your Honor.

24 THE COURT: Any objection to excusing the witness?

25 All right. Thank you, sir.

1 THE WITNESS: Thank you.

2 THE COURT: You may step down. You're excused.

3 At this time we're going to take our morning break for 20
4 minutes.

5 We'll resume at 10:45.

6 So at this time we'll resume at 10:45.

7 THE SECURITY OFFICER: All rise.

8 (Recess taken at 10:25.)

9 (Proceedings resumed at 10:45.)

10 THE SECURITY OFFICER: All rise.

11 THE COURT: You may be seated.

12 You may call your next witness.

13 MR. TOMKO: The receiver would call Carole Faulkner,
14 Your Honor.

15 THE COURT: Raise your right hand, please.

16 CAROLINA FAULKNER, WITNESS, SWORN

17 THE COURT: All right. Be seated, please.

18 Before we begin, Mr. Tomko, may I ask the witness: I
19 understand you are a lawyer, but do you wish to have a lawyer
20 present, because the record indicates you have invoked your
21 Fifth Amendment rights --

22 THE WITNESS: Correct.

23 THE COURT: -- at various times. And do you wish
24 counsel to be present to advise you on the Fifth Amendment?

25 THE WITNESS: They've already advised me, Your

1 Honor, before.

2 THE COURT: All right. You may proceed, Mr. Tomko.

3 DIRECT EXAMINATION

4 BY MR. TOMKO:

5 Q. Good morning. We've not met before?

6 A. No.

7 Q. My name is Ed Tomko and I represent Tom Taylor, the
8 receiver in this case.

9 State your full name for the record, please.

10 A. Carolina Faulkner.

11 Q. And, Ms. Faulkner, what do you do for a living?

12 A. I work for a software company, in the legal department.

13 Q. All right. You are an attorney?

14 A. Yes, I am.

15 Q. And for how long have you been an attorney?

16 A. Since 1989.

17 Q. All right. And you're admitted in the State of Texas?

18 A. Yes, sir.

19 Q. And in the State of California?

20 A. Yes, sir.

21 Q. All right. You -- in your capacity as an attorney you
22 represented Breitling Oil & Gas and Breitling Energy in the
23 investigation conducted by the Securities and Exchange
24 Commission?

25 A. At this time, based on the advice of counsel, I am

1 exercising my Fifth Amendment rights underneath the U.S.
2 Constitution.

3 Q. I'd ask you, ma'am, if you would look at Exhibit 2,
4 Receiver's Exhibit 2, please.

5 Is that a document that you can identify?

6 A. At this time, based on advice of counsel, I'm exercising
7 my Fifth Amendment rights underneath the U.S. Constitution.

8 Q. This is a document that was sent to you by the SEC, is it
9 not, on the 14th of August, at 2:38 p.m.?

10 A. At this time I'm exercising my rights underneath the
11 Fifth Amendment of the United States Constitution.

12 Q. And this document advised you that these orders had been
13 entered by the court as of that time and that date; is that
14 correct?

15 A. At this time I'm exercising my Fifth Amendment rights
16 under the U.S. Constitution.

17 Q. And did you have an opportunity to review the orders that
18 were issued by this court at that time?

19 A. At this time I'm exercising my Fifth Amendment rights
20 under the U.S. Constitution.

21 Q. Is it -- did you have any question about what was covered
22 by those orders at the time that you reviewed them?

23 A. I'm exercising my Fifth Amendment rights under the U.S.
24 Constitution.

25 Q. The -- is it not correct that it prohibited diverting or

1 rerouting any -- any and all oil and gas operators otherwise
2 ordered by the court?

3 Do you recall that, ma'am?

4 A. I'm exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 Q. So anything in that that was ambiguous to you?

7 A. I'm exercising my Fifth Amendment rights under the U.S.
8 Constitution.

9 Q. And Exhibit 43, which is the order appointing the
10 temporary receiver, are you familiar with that document?

11 A. I'm exercising my Fifth Amendment rights under the U.S.
12 Constitution.

13 Q. And is it not true that that document says "The court
14 finds that based on the records in these proceedings the
15 appointment of a temporary receiver in this action is
16 necessary and appropriate for the purpose of marshalling and
17 preventing all oil and gas related assets in any form or of
18 any kind whatsoever, owned, controlled, possessed, or managed,
19 directly or indirectly, by the defendant Christopher A.
20 Faulkner"; is that an accurate description of what this
21 document says, ma'am?

22 A. I'm exercising my Fifth Amendment rights under the U.S.
23 Constitution.

24 Q. I call your attention then to Exhibit 11.

25 Is that your response to a request by Mr. Taylor for

1 information involving the assets and the records of Breitling
2 Oil & Gas and Breitling Energy?

3 A. I'm exercising my Fifth Amendment rights under the U.S.
4 Constitution.

5 Q. And you made representations in this document, Receiver's
6 Exhibit 11, as you stated, it is -- your responses were in
7 red, although they were not copied in red on the paper. Is
8 that correct?

9 A. I am exercising my Fifth Amendment rights under the U.S.
10 Constitution.

11 MR. TOMKO: Your Honor, we would move for the
12 admission of Exhibit Number 11.

13 THE COURT: Any objection?

14 MR. BOISVERT: It's hearsay, Your Honor. It's also
15 unauthenticated. Sorry.

16 THE COURT: Mr. Tomko --

17 MR. TOMKO: Your Honor, this is a true and correct
18 copy of a document that was authored by this witness with the
19 top of the document being her writing and a segment of each of
20 these responses are in her -- were provided by her.

21 I -- I would ask the court that in her failure -- in her
22 invocation of the Fifth Amendment that we may make a -- a
23 finding that this is in fact a true and correct copy of a
24 document that she authored and presented.

25 As it -- it's also a party admission, Your Honor.

1 THE COURT: I believe it will need to be
2 authenticated through another witness. I understand that
3 you're offering this as a party admission, but the -- the
4 witness has not laid the foundation for this document.

5 MR. TOMKO: All right. Well, we will offer it then
6 through another witness, Your Honor.

7 BY MR. TOMKO:

8 Q. Exhibit 14, are you familiar with that, Ms. Faulkner?

9 A. I'm exercising my rights under the Fifth Amendment of the
10 United States Constitution.

11 Q. This is an document, again, from Mr. Taylor to you
12 advising you that you had attempted to obtain mail from a
13 mailbox. Are you familiar with that?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. Did -- did you in fact attempt to divert mail to a post
17 office box in -- on -- at 2150 Northwest Highway in Grapevine,
18 Texas?

19 A. I'm exercising my Fifth Amendment rights under the
20 Constitution.

21 Q. You in fact opened that mailbox, did you not, ma'am?

22 A. I'm exercising my Fifth Amendment under the U.S.
23 Constitution.

24 Q. And you diverted the mail from that mailbox to the
25 original mailbox that was covered by the court order giving

1 the custody of the first mailbox to Mr. Taylor or as the
2 receiver; is that not correct, ma'am?

3 A. I'm exercising my Fifth Amendment rights under the U.S.
4 Constitution.

5 Q. Exhibit 15. This is a document that you authored on the
6 30th of August of 2017. You sent this document to Mr. Taylor or.

7 Can you identify that as a document that you prepared?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. And in this document you said that, "As previously stated
11 to you and provided in writing, none of the defendants assets
12 or communications were transferred to the Northwest Highway
13 address --"

14 MR. BOISVERT: Your Honor, I'm going to object.
15 He's reading from a document that's not in evidence.

16 THE COURT: Regardless, he can use that as a
17 foundation for a question.

18 I'll overrule the objection.

19 BY MR. TOMKO:

20 Q. Do you recall making that statement?

21 A. I'm exercising my Fifth Amendment right under the U.S.
22 Constitution.

23 Q. And at that time you advised Mr. Taylor that only the
24 correspondence for Breitling Royal ties was transferred to the
25 Colleyville post office box; is that correct?

1 A. I'm exercising my Fifth Amendment rights under the U.S.
2 Constitution.

3 Q. Was it not true, ma'am, that other mail for other
4 Breitling entities was also transferred to the new post office
5 box?

6 A. I'm exercising my Fifth Amendment rights under the U.S.
7 Constitution.

8 Q. I ask you to look at Exhibit Number -- Receiver's Exhibit
9 Number 12.

10 This is a form that was provided by the post office
11 department. And it indicates, does it not, that the mail for
12 Breitling Oil & Gas was transferred from the Colleyville post
13 office box to the Grapevine post office box?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. And Breitling Oil & Gas is a different entity than
17 Breitling Royalties; is that not correct?

18 A. I'm exercising my Fifth Amendment rights under the U.S.
19 Constitution.

20 Q. And if we look at Exhibit 13, also from the post office,
21 it indicates that Breitling Energy mail was diverted from
22 Colleyville to Grapevine; is that correct?

23 A. I'm exercising my Fifth Amendment rights under the U.S.
24 Constitution.

25 Q. And Breitling Energy is a different entity from Breitling

1 Royal ties; is that not correct?

2 A. I'm exercising my Fifth Amendments under the U.S.
3 Constitution.

4 Q. And if we look at Exhibit R 20, these purport to be
5 envelopes that were received at the Grapevine post office. Do
6 we -- can we acknowledge that at least V-e-n-t-a-n-a, Ventana,
7 Exploration and Production Company purports to be an oil and
8 gas company; is that correct?

9 A. I'm exercising my Fifth Amendment rights under the U.S.
10 Constitution.

11 Q. That Sven Energy, LLC, is an oil and gas company?

12 A. I'm exercising my Fifth Amendment rights under the U.S.
13 Constitution.

14 Q. And can we agree that Texland, T-e-x-l-a-n-d, Petroleum
15 is an oil and gas company?

16 A. I'm exercising my Fifth Amendment rights under the U.S.
17 Constitution.

18 Q. Did you also visit the Grapevine post office and attempt
19 to collect mail from there?

20 A. I'm exercising my Fifth Amendment under the U.S.
21 Constitution.

22 Q. And you were the last person, were you not, that
23 collected mail from the Colleyville post office?

24 A. I'm exercising my Fifth Amendment rights under the U.S.
25 Constitution.

1 Q. Mr. Taylor requested that you provide that information to
2 the recipient, did he not?

3 A. I am exercising my Fifth Amendment rights under the U.S.
4 Constitution.

5 Q. And you refused to provide those documents that you
6 obtained from the post office box to Mr. Taylor?

7 A. I'm exercising my Fifth Amendment rights under the U.S.
8 Constitution.

9 Q. And you requested that Mr. Taylor return to you all mail
10 that was -- he received from the Grapevine post office once he
11 got custody of that; is that correct?

12 A. I'm exercising my Fifth Amendment rights under the U.S.
13 Constitution.

14 Q. Now, I call your attention to Exhibit Number 23.

15 R 23 purports to be an email from you to Mr. Goforth?

16 You recognize Mr. Goforth as being an attorney who
17 represents Mr. Taylor?

18 A. I'm exercising my Fifth Amendment rights under the U.S.
19 Constitution.

20 Q. And in this document you said you were going to send them
21 documents that relate to Breitling Energy Corporation and
22 Breitling Oil & Gas.

23 Did you ever send them any documents, ma'am?

24 A. I'm exercising my Fifth Amendment rights under the U.S.
25 Constitution.

1 Q. In fact, you never sent them any documents, have you,
2 ma' am?

3 A. I'm exercising my Fifth Amendment under the U.S.
4 Constitution.

5 Q. You advised them that documents had been seized by the
6 IRS, FBI, and SEC, and that that was the reason you weren't
7 producing documents; is that correct?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. And, in fact, the documents that were seized by the
11 government were seized a year before, over a year before the
12 time you sent this information to Mr. Taylor?

13 A. I'm exercising my Fifth Amendment rights under the U.S.
14 Constitution.

15 Q. And in your capacity as the attorney for the corporations
16 you never provided a corporate representative or made
17 available a corporate representative to Mr. Taylor for him to
18 examine about the business activities of the corporations,
19 have you?

20 A. I'm exercising my Fifth Amendment rights underneath the
21 U.S. Constitution.

22 Q. And you've never provided them any records of any
23 activities of those businesses subsequent to the search by the
24 government in 2016?

25 A. I am exercising my Fifth Amendment rights under the U.S.

1 Constitution.

2 Q. Now, I want to show you a document that is identified as
3 Receiver's Exhibit 64, and ask you if you can identify that
4 document, ma'am?

5 A. I'm exercising my Fifth Amendment rights under the U.S.
6 Constitution.

7 Q. This purports to be a business record that was opened at
8 a bank, Citi Bank, in the name of Cindy A. Faulkner. Is that
9 correct, ma'am?

10 A. I'm exercising my Fifth Amendment rights under the U.S.
11 Constitution.

12 Q. Are you -- did you represent yourself to be Cindy A.
13 Faulkner to the bank for the purposes of opening this account?

14 A. I am exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. And that is your signature that appears on that document,
17 is it not, ma'am?

18 A. I am exercising my Fifth Amendment rights under the U.S.
19 Constitution.

20 Q. Now, there were -- subsequent orders were issued by the
21 court after the order that we've just talked -- I looked at
22 before, the orders that were provided to you in August of
23 2017.

24 There were also orders by the court in September of 2017.
25 Is that correct, ma'am?

1 A. I'm exercising my Fifth Amendment rights under the U.S.
2 Constitution.

3 Q. In your capacity as the attorney for the two companies
4 that were named by the SEC, you were made aware, were you not,
5 on September the 5th of 2017 that a request for an order to
6 show cause for contempt had been filed by the receiver. Is
7 that not correct, ma'am?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. And that on -- September the 6th the order granting that
11 motion was submitted by this court. You were aware of that
12 also in your capacity as an attorney for the two entities; is
13 that correct?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. And a memorandum and opinion was issued by this court on
17 or about September 25th, 2017. You were made aware of that in
18 your capacity as counsel for the entities; is that correct,
19 ma'am?

20 A. I'm exercising my Fifth Amendment rights under the U.S.
21 Constitution.

22 Q. And that document, which is Exhibit R 66, says on page 8,
23 "This encompasses entities controlled by Faulkner to which the
24 unrefuted evidence indicates he may have redistributed either
25 BOG or BECC investors assets, including Breitling Royal

1 Corporation." Is that correct, ma'am?

2 A. I'm exercising my Fifth Amendment rights under the U.S.
3 Constitution.

4 Q. At no point did it limit -- limit this order just to
5 Breitling Royalty Corporation, did it, ma'am?

6 A. I'm exercising my Fifth Amendment rights under the U.S.
7 Constitution.

8 Q. In fact, these orders covered all assets that were
9 directly or indirectly owned, controlled by Mr. Chris
10 Faulkner, did it not, ma'am?

11 A. I'm exercising my rights under the Fifth Amendment of the
12 United States Constitution.

13 Q. Now, you opened a bank account, did you not, in the Bank
14 of the West, in September of -- of 2017?

15 A. I'm exercising my Fifth Amendment rights under the U.S.
16 Constitution.

17 MR. TOMKO: Your Honor, the Bank of the West
18 documents we have a certificate from the bank that
19 authenticates these documents as true and correct copies, and
20 that's Exhibit 30 and Exhibits 32 and 31.

21 And we would move to admit those documents into evidence
22 as true and correct copies of documents maintained by Bank of
23 West and authenticated by a custodian for the Bank of the
24 West.

25 THE COURT: Any objection to 30, 31, and 32?

1 MR. BOISVERT: I object to the authentication, Your
2 Honor. There's nothing in these exhibits that authenticate
3 these documents.

4 MR. TOMKO: They're authenticated as true and
5 correct copies of the records of Bank of the West.

6 THE COURT: Will you identify where I can find that
7 authentication?

8 MR. TOMKO: The authentication is Exhibit -- is
9 Receiver's Exhibit -- Exhibit 57, Your Honor.

10 MR. BOISVERT: My objection, Your Honor, is that
11 there's nothing attached to Exhibit 57.

12 There are no -- there are no documents attached that
13 are -- that are being purportedly authenticated.

14 THE COURT: They do appear to be identified;
15 however, on page 2 of that exhibit in a listing, so I'll
16 overrule the objection.

17 Ms. Faulkner, I'm not sure whether in your role as -- as
18 your counsel you wish to be heard by way of objection to these
19 exhibits or not, or -- or whether your Fifth Amendment rights
20 prevent you from objecting, but I just don't want to overlook
21 you if you do want to object.

22 THE WITNESS: I have Fifth Amendment rights, I have
23 to exercise those, Your Honor.

24 THE COURT: Okay. Fine.

25 Receiver Exhibits 30, 31 and 31 are admitted.

1 BY MR. TOMKO:

2 Q. Exhibit Receiver 30, Ms. Faulkner, is a new account card
3 that was signed with your signature; is that correct?

4 A. I'm exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 Q. And you opened that account on September the 6th of 2017;
7 is that correct?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. That was the day after the request to order to show cause
11 was issued. And it was the day that the judge granted the
12 order to show cause. Is that correct?

13 A. I am exercising my Fifth Amendment rights under the U.S.
14 Constitution.

15 Q. And you opened this account in the name of U.S. Property
16 Investment, Incorporated; is that correct?

17 A. I'm exercising my Fifth Amendment rights under the U.S.
18 Constitution.

19 Q. And you identified yourself, Carole Faulkner, as the
20 president of that company?

21 A. I'm exercising my Fifth Amendment rights under the U.S.
22 Constitution.

23 Q. And you also identified yourself as the secretary of that
24 company?

25 A. I'm exercising my Fifth Amendment rights under the U.S.

1 Constitution.

2 Q. Now, have provided documents as exhibits too, for this
3 hearing, have you not?

4 A. As the attorney?

5 Q. Yes.

6 A. I'm exercising my Fifth Amendment rights under the U.S.

7 Constitution.

8 Q. And your document, Defendant's Exhibit 18, is a document
9 that you provided for the purpose this hearing; is that
10 correct?

11 A. I'm exercising my Fifth Amendment rights under the U.S.
12 Constitution.

13 Q. And it indicates, does it not, that Mr. Pitts -- who is
14 Gerald Pitts?

15 A. I'm exercising my Fifth Amendment rights under the U.S.
16 Constitution.

17 Q. And it indicates that -- that he was the person who
18 originally adopted the resolution to incorporate U.S.
19 Properties Investment; is that correct?

20 A. I'm exercising my Fifth Amendment rights under the U.S.
21 Constitution.

22 Q. He was the original director of U.S. Properties on the
23 29th of September of 2016; is that correct?

24 A. I am exercising my Fifth Amendment rights under the U.S.
25 Constitution.

1 Q. Now, there's a signature that appears on that document,
2 acceptance of appointment as director. And it says, "Carole
3 Faulkner." Is that correct?

4 A. I'm exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 Q. But this is not your signature, is it, ma'am?

7 A. I'm exercising my rights under the Fifth Amendment of the
8 United States Constitution.

9 Q. And the -- there was a annual filing with the State of
10 Wyoming for U.S. Properties Investment. And it identifies
11 C.A. Faulkner as the treasurer or fiscal agent.

12 Are you that C.A. Faulkner, ma'am?

13 A. I'm exercising my rights under the Fifth Amendment of the
14 United States Constitution.

15 Q. You've also provided a tax return for U.S. Properties
16 Investment Corporation; is that correct?

17 A. I'm exercising my Fifth Amendment rights under the United
18 States Constitution.

19 Q. And this return was provided by you as an exhibit for
20 this hearing; is that correct?

21 A. I'm exercising my rights under the Fifth Amendment of the
22 United States Constitution.

23 Q. It is Defendant Carole Faulkner Exhibit 19 in your
24 providing -- the exhibit that you provided?

25 A. I am exercising my rights under the Fifth Amendment of

1 the United States Constitution.

2 Q. And it indicates that you are filing the return for 2016.

3 Is that correct?

4 A. I am exercising my rights under the Fifth Amendment of
5 the United States Constitution.

6 Q. And your signature appears on this document; is that
7 correct?

8 A. I am exercising my rights under the Fifth Amendment of
9 the United States Constitution.

10 Q. And this document purports to have been signed by you on
11 October 1st of 2017. Is that correct?

12 A. I am exercising my rights under the First -- Fifth
13 Amendment of the United States Constitution.

14 Q. And the document indicates that there were no revenue or
15 expenses incurred by U.S. Properties for the year 2016; is
16 that correct?

17 A. I am exercising my rights under the U.S. -- I'm
18 exercising my rights under the Fifth Amendment of the United
19 States Constitution.

20 Q. Are you familiar at all with the company called
21 RackAiley, ma'am?

22 A. I'm exercising my rights under the Fifth Amendment of the
23 United States Constitution.

24 Q. And is it not true that U.S. Properties had no business
25 dealings at all with RackAiley during the period of 2016 and

1 2017?

2 A. I am exercising my rights under the Fifth Amendment of
3 the United States Constitution.

4 Q. And is it not correct, ma'am, that Mr. Chris Faulkner was
5 an owner, one-third owner of RackAlley during this period of
6 time?

7 A. I'm exercising my rights under the Fifth Amendment of the
8 United States Constitution.

9 Q. And is it not correct, ma'am, that Mr. Faulkner directed
10 that the proceeds from a transaction, a sale by -- of assets
11 by RackAlley that were his interest be transferred to U.S.
12 Properties?

13 Is that correct, ma'am?

14 A. I am exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. And as a result of that direction by Mr. Faulkner, U.S.
17 Properties received a series of checks from RackAlley; is that
18 correct, ma'am?

19 A. I am exercising my rights under the Fifth Amendment of
20 the United States Constitution.

21 Q. And is it not correct, ma'am, that Exhibit R 40, which is
22 a business record that was filed with the State of California,
23 indicates that the agent for RackAlley, LLC, a Nevada
24 corporation, is Carole Faulkner?

25 A. I am exercising my rights under the Fifth Amendment of

1 the United States Constitution.

2 Q. And it lists the address as 1780 E. Sahara S-a-h-a-r-a,
3 Avenue, Suite 490-856, Las Vegas, Nevada, as a entity --
4 mailing address for that entity; is that correct?

5 A. I'm exercising my Fifth Amendment rights under the U.S.
6 Constitution.

7 Q. And it also indicates 1663, S-a-w-t-e-l-l-e, Avenue,
8 Suite 240, Los Angeles, California, 900025, [sic] as an
9 address for that company, does it not?

10 A. I'm exercising my rights under the Fifth Amendment of the
11 United States Constitution.

12 Q. And that Los Angeles address is an address of the office
13 that Mr. Faulkner maintains in California; is that correct?

14 A. I am exercising my rights under the Fifth Amendment of
15 the United States Constitution.

16 Q. And are you a person who shares that particular doct--
17 that office with Mr. Faulkner in California?

18 A. I am exercising my rights under the Fifth Amendment of
19 the United States Constitution.

20 Q. Now, Exhibit 31 that's been entered into evidence as a
21 record for the Bank of the West indicates this account, as
22 we've seen by the -- the signature card, was opened on
23 September the 6th of 2017. Is that correct?

24 A. I am exercising my rights under the Fifth Amendment of
25 the United States Constitution.

1 Q. And it was entered -- opened with an additional -- an
2 initial deposit of \$100.

3 Is that correct?

4 A. I am exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 Q. And on September 29th of 2017, a deposit of \$60,000 was
7 made into that account; is that correct?

8 A. I am exercising my rights under the Fifth Amendment of
9 the United States Constitution.

10 Q. And that \$60,000 was a check that was issued by RackAlley
11 to U.S. Properties; is that not correct?

12 A. I'm exercising my Fifth Amendment rights under the U.S.
13 Constitution.

14 Q. In fact, if we look at Exhibit 32, we see that the check
15 and the deposit ticket are -- are in the first page of Exhibit
16 32. Is that correct?

17 A. I'm exercising my Fifth Amendment rights under the U.S.
18 Constitution.

19 Q. Now, also in October, specifically October the 12th, an
20 attempt was made to deposit \$150,000 into the account at Bank
21 of the West; is that correct?

22 A. I am exercising my rights under the Fifth Amendment of
23 the U.S. Constitution.

24 Q. And that money was also in the form of two checks from
25 RackAlley to U.S. Properties Investment; is that correct?

1 A. I am exercising my rights under the Fifth Amendment of
2 the United States Constitution.

3 Q. Is it not true that on or about the 3rd of October,
4 2017, a document was filed with the State of Wyoming that
5 removed you, C. A. Faulkner, that's -- that -- let me rephrase
6 that. Sorry. Withdraw that question.

7 Do you go by the initials C. A. Faulkner on occasion?

8 A. I'm exercising my rights under the Fifth Amendment of the
9 United States Constitution.

10 Q. And Mr. Faulkner also goes by that same designation, C. A.
11 Faulkner on occasion; is that not true?

12 A. I am exercising my rights under the Fifth Amendment of
13 the U. S. Constitution.

14 Q. But on or about October the 3rd of 2017, C. A. Faulkner
15 was removed as president, secretary, and director of U. S.
16 Properties in the State of Wyoming; is that correct, ma'am?

17 A. I'm exercising my rights under the Fifth Amendment of the
18 U. S. Constitution.

19 Q. And designated at that time as president, vice president,
20 secretary, and director of U. S. Properties was an individual
21 named Shannon Bresnahan; is that correct?

22 A. I'm exercising my Fifth Amendment rights under the U. S.
23 Constitution.

24 THE COURT: Will you spell Bresnahan for the court
25 reporter.

1 MR. TOMKO: Yes, sir.

2 B-r-e-s-n-a-h-a-n.

3 BY MR. TOMKO:

4 Q. And who is Shannon Bresnahan?

5 A. I'm exercising my Fifth Amendment rights under the U.S.
6 Constitution.

7 Q. Shannon Bresnahan was at that point in time a live-in
8 associate of Mr. Faulkner; is that correct?

9 A. I am exercising my Fifth Amendment rights under the U.S.
10 Constitution.

11 Q. And Shannon Bresnahan had no knowledge that she was ever
12 appointed as a officer or director of that entity, was she,
13 ma'am?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. At any rate, ten days later, on October the 13th, is it
17 not correct that another change was filed with the State of
18 Wyoming to change the officers of U.S. Property Investment.
19 Is that correct?

20 A. I am exercising my Fifth Amendment rights under the U.S.
21 Constitution.

22 Q. And October the 13th of 2017, ten days later,
23 Ms. Bresnahan was removed from all positions and in her place
24 as secretary and director was a man by the name of Gerald
25 Pitts again, the man who formed the company originally. Is

1 that correct, ma' am?

2 A. I'm exercising my Fifth Amendment rights under the U.S.
3 Constitution.

4 Q. And as of August 10th -- excuse me -- Oct-- October 13th
5 of 2017, there was no president or vice president indicated in
6 the records of the State of Wyoming for U.S. Properties; is
7 that correct, ma' am?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. Receiver's Exhibit 33, which is in evidence, indicates
11 that there was a check written on the Bank of the West account
12 for U.S. Properties, check number 9-- I believe that's a 486,
13 to cash for \$10,000; is that correct, ma' am?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. And that check is signed by you.

17 Is that correct?

18 A. I'm exercising my Fifth Amendment rights under the U.S.
19 Constitution.

20 Q. And that check was in fact cashed?

21 A. I'm exercising my rights under the Fifth Amendment of the
22 U.S. Constitution.

23 Q. And the proceeds of that check were not made available to
24 the receiver, were -- was it, ma' am?

25 A. I'm exercising my rights under the Fifth Amendment of the

1 U. S. Constitution.

2 Q. In addition, check 6-- excuse me -- 9487 was issued on
3 October the 12th of '17, for a Bank of the West cashier's
4 check for \$50,000; is that correct, ma'am?

5 A. I'm exercising my Fifth Amendment rights under the U.S.
6 Constitution.

7 Q. And that check is signed by you; is that correct, ma'am?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. And that check was in fact cashed?

11 A. I'm exercising my Fifth Amendment rights under the U.S.
12 Constitution.

13 Q. And those proceeds of \$50,000 were not made available to
14 the trustee for -- excuse me -- the receiver for the
15 receivership account, was it, ma'am?

16 A. I'm exercising my rights under the Fifth Amendment of the
17 United States Constitution.

18 Q. Now, ma'am, you had an opportunity in your capacity as
19 the attorney for the two entities that were named by the SEC
20 to receive Exhibits R 43 and R 44, which are orders of the
21 order.

22 Were you familiar with those orders of the court, ma'am?

23 A. I'm exercising my rights under the Fifth Amendment of the
24 United States Constitution.

25 Q. And Exhibit 44 expands the definition of "ancillary"

1 [sic] proceedings beyond just the three entities that were
2 identified in the original complaint by the SEC; is that not
3 correct, ma'am?

4 A. I'm exercising my rights under the Fifth Amendment of the
5 United States Constitution.

6 Q. And it also indicates that there -- the receiver -- it
7 stays all litigation involving the assets or the interests
8 that are covered by the receivership, does it not, ma'am?

9 A. I'm exercising my rights under the Fifth Amendment of the
10 United States Constitution.

11 Q. And it directs that any action that may be brought
12 against the receiver be instituted in the court that issued
13 that order, which is this court, does it not, ma'am?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. But in total disregard of that order you have sued
17 Mr. Taylor in state court in Los Angeles, have you not, ma'am?

18 A. I am exercising my Fifth Amendment rights under the U.S.
19 Constitution.

20 Q. And in that suit you indicate that Mr. Taylor has
21 affected -- or he has been a -- had affect on your business
22 dealings; is that correct, ma'am?

23 A. I am exercising my Fifth Amendment rights under the U.S.
24 Constitution.

25 Q. But in that complaint you never, ever indicate that

1 Mr. Taylor was acting as a receiver at the appointment of a
2 federal District Court in Texas in the activities that he was
3 undertaking against you or your companies, did you, ma'am?

4 A. I'm exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 Q. Now, ma'am, did there come a time when you prepared or
7 edited a draft of an affidavit for a man by the name of Mohamed
8 Arab?

9 A. I'm exercising my rights under the Fifth Amendment of the
10 United States Constitution.

11 Q. Mohamed Arab was a partner, was he not, of your -- of
12 Mr. Faulkner in Rack Alley?

13 A. I'm exercising my Fifth Amendment rights under the U.S.
14 Constitution.

15 Q. And you prepared or drafted that or edited that affidavit
16 to -- for the purpose of Mr. Arab to execute it; is that
17 correct?

18 A. I'm exercising my Fifth Amendment rights under the U.S.
19 Constitution.

20 Q. And you received, did you not, in your capacity as the
21 attorney for the companies, the filing by the receiver that
22 included a signed affidavit by Mr. Arab, did you not?

23 A. I'm exercising my Fifth Amendment rights under the U.S.
24 Constitution.

25 Q. And the information in the affidavit signed by Mr. Arab

1 was directly contradictory to the information you included in
2 the affidavit that you prepared or edited for Mr. Arab; is
3 that correct?

4 A. I'm exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 MR. TOMKO: That's all I have, Your Honor.

7 THE COURT: Cross-examination?

8 MR. BOISVERT: No questions, Your Honor.

9 THE COURT: Do you wish to offer any testimony?

10 MS. FAULKNER: No, Your Honor.

11 THE COURT: All right. You may step down.

12 You may call your next witness.

13 MR. ROSS: Your Honor, the receiver called
14 Christopher Faulkner.

15 THE COURT: Raise your right hand, please.

16 CHRISTOPHER FAULKNER, WITNESS, SWORN

17 DIRECT EXAMINATION

18 BY MR. ROSS:

19 Q. Good morning, Mr. Faulkner.

20 A. Good morning.

21 Q. Could you please state your name for the record.

22 A. Christopher Faulkner.

23 Q. Mr. Faulkner, as of August 2017, you had an ownership
24 interest in Breitling Royal Ties Corporation, did you not?

25 A. Based on advice of counsel I hereby invoke my Fifth

1 Amendment rights afforded me by the U.S. Constitution.

2 Q. Mr. Faulkner, as of August 2017, you exercised control
3 over Breitling -- Breitling Royalties Corporation, did you
4 not?

5 A. Exercising my Fifth Amendment rights under the U.S.
6 Constitution.

7 Q. Mr. Faulkner, as of August 2017, you had an ownership
8 interest in Breitling Energy Corporation, did you not?

9 A. I'm exercising my Fifth Amendment rights afforded me by
10 the U.S. Constitution.

11 Q. Mr. Faulkner, as of August 2017, you had an -- a -- you
12 exercised control over Breitling Energy Corporation, did you
13 not?

14 A. I'm exercising my Fifth Amendment rights afforded me by
15 the U.S. Constitution.

16 Q. Mr. Faulkner, as of August 2017, you had an ownership
17 interest in Breitling Oil & Gas Corp., did you not?

18 A. I'm exercising my Fifth Amendment rights afforded me by
19 the U.S. Constitution.

20 Q. Mr. Faulkner, as of August 2017, you exercised control
21 over Breitling Oil & Gas Corp., did you not?

22 A. I'm exercising my Fifth Amendment rights given me by the
23 U.S. Constitution.

24 Q. Mr. Faulkner, as of August 2017, you had an ownership
25 interest in Breitling Energy Companies, Inc., did you not?

1 A. I'm exercising my Fifth Amendment rights given me by the
2 U. S. Constitution.

3 Q. Mr. Faulkner, as of August 2017, you exercised control
4 over Breitling Energy Companies, Inc., did you not?

5 A. I'm exercising my Fifth Amendment rights given me by the
6 U. S. Constitution.

7 Q. Mr. Faulkner, as of August 2017, you had an ownership
8 interest in Breitling Royalties Fund, LLC, did you not?

9 A. I'm exercising my Fifth Amendment rights given me by the
10 U. S. Constitution.

11 Q. Mr. Faulkner, as of August 2017, you exercised control
12 over Breitling royalty Funds, LLC, did you not?

13 A. I'm exercising my Fifth Amendment rights given me by the
14 U. S. Constitution.

15 Q. Mr. Faulkner, as of August 2017, you had an ownership
16 interest in RackAlley, LLC, did you not?

17 A. I'm exercising my Fifth Amendment rights given me by the
18 U. S. Constitution.

19 Q. Mr. Faulkner, as of August 2017, you exercised control
20 over RackAlley, LLC, did you not?

21 A. I'm exercising my Fifth Amendment rights under the U. S.
22 Constitution.

23 Q. Mr. Faulkner, as of August 2017, you had an ownership
24 interest in Breitling Ventures Corp., did you not?

25 A. I'm exercising my Fifth Amendment rights under the U. S.

1 Constitution.

2 Q. Mr. Faulkner, as of August 2017, you had -- you exercised
3 control over Breitling Ventures Corp., did you not?

4 A. I'm exercising my rights -- my Fifth Amendment rights
5 under the U.S. Constitution.

6 Q. Mr. Faulkner, as of August 2017, you had an ownership
7 interest in Crude Energy, LLC, did you not?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. Mr. Faulkner, as of August 2017, you had a -- you
11 exercised control over Crude Energy, did you not?

12 A. I'm exercising my Fifth Amendment rights under the U.S.
13 Constitution.

14 Q. Mr. Faulkner, as of August 2017, you had an ownership
15 interest in Patriot Energy, Inc., did you not?

16 A. I'm exercising my Fifth Amendment rights under the U.S.
17 Constitution.

18 Q. Mr. Faulkner, as of August 2017, you exercised control
19 over Patriot Energy, Inc., did you not?

20 A. I'm exercising my Fifth Amendment rights under the U.S.
21 Constitution.

22 Q. Mr. Faulkner, I'd like you to turn to Receiver's Exhibit
23 42, which has already been admitted into evidence.

24 Mr. Faulkner, as of August 14th, 2017, you received
25 notice of the temporary restraining order and asset freeze

1 order in Exhibit 42, did you not?

2 A. I'm exercising my Fifth Amendment rights under the U.S.
3 Constitution.

4 Q. Mr. Faulkner, I'd like you to turn to Exhibit 43, which
5 is already admitted into evidence.

6 Mr. Faulkner, as of August 14th, 2017, you had received
7 notice of the execution by this court of the order in Exhibit
8 43 appointing a temporary receiver, did you not?

9 A. I'm exercising my Fifth Amendment rights under the United
10 States Constitution.

11 Q. Mr. Faulkner, paragraph 16 of Exhibit 43 states that,
12 "The receivership defendants --" the last sentence of that
13 paragraph states, "The receivership defendants shall not open
14 any mailbox or take any steps or make any arrangements to
15 receive mail in contravention of this order, whether through
16 the U.S. Mail, a private mail depository, or courier service."
17 Is that correct?

18 A. I'm exercising my Fifth Amendments rights under the U.S.
19 Constitution.

20 Q. Mr. Faulkner, you took steps to receive mail at 2115 West
21 Northwest Highway, Suite 114-1133, Grapevine, Texas, 76051,
22 didn't you?

23 A. I'm exercising my Fifth Amendment rights given to me by
24 the U.S. Constitution.

25 Q. Mr. Faulkner, you failed to disclose to the receiver that

1 you had taken steps to receive mail at that Northwest Highway
2 address, didn't you?

3 A. Exercising my Fifth Amendment rights under the United
4 States Constitution.

5 Q. Mr. Faulkner, I would like you to turn to Exhibit 46,
6 which has already been admitted into evidence.

7 Mr. Faulkner, after you were in receipt of the order
8 appointing the temporary receiver in Exhibit 43, Exhibit 46
9 shows that you took steps to change an address form and sent
10 that form to Chesapeake Energy Corporation, did you not?

11 A. Exercising my Fifth Amendment rights under the United
12 States Constitution.

13 Q. And, Mr. Faulkner, I'd like you to look at Exhibit 47,
14 which has already been admitted into evidence.

15 Mr. Faulkner, Exhibit 47 indicates that after you were in
16 receipt of the order appointing the temporary receiver you
17 took steps to change the address on a division order and sent
18 that to Chesapeake Energy, does it not?

19 A. I am exercising my Fifth Amendment rights under the U.S.
20 Constitution.

21 Q. Mr. Faulkner, I'd like you to turn to Exhibit 48, which
22 is already into evidence.

23 Mr. Faulkner, Exhibit 48 indicates that after you were in
24 receipt of the order appointing the temporary receiver, which
25 was issued by this court on August 14th, you took steps to --

1 to change the address for a division order and sent that
2 change of address to Chesapeake Energy, did you not?

3 A. I'm exercising my Fifth Amendment rights under the United
4 States Constitution.

5 Q. Mr. Faulkner, I'd like you to turn to Exhibit 49, which
6 has already been admitted into evidence.

7 Mr. Faulkner, after you were in receipt of the order
8 appointing the temporary receiver issued by this court on
9 August 14th, Exhibit 49 indicates that you took steps to
10 change an address for division orders and payments to be sent
11 by Chesapeake Energy to a new address on Northwest Highway,
12 did you not?

13 A. I'm exercising my Fifth Amendment rights under the U.S.
14 Constitution.

15 Q. Mr. Faulkner, you never advised the receiver of the
16 existence of the Northwest Highway P.O. Box indicated in
17 Exhibits 46, 47, 48, and 49, did you?

18 A. I'm exercising my Fifth Amendment rights under the United
19 States Constitution.

20 Q. Mr. Faulkner, I'd like you to turn to Receiver's Exhibit
21 8.

22 Mr. Faulkner, as of August 15th, 2017, you received
23 requests for cooperation from the receiver in this matter, did
24 you not?

25 A. Exercising my Fifth Amendment rights under the United

1 States Constitution.

2 Q. Mr. Faulkner, in response to those requests did you
3 advise the receiver as to the identity and status of checks?

4 A. I'm exercising my Fifth Amendment rights under the U.S.
5 Constitution.

6 Q. Mr. Faulkner, in response to requests from the receiver
7 received by you on August 15th, did you identify for the
8 receiver checks or wires or other payments that have come into
9 your direct or indirect custody or control or otherwise
10 disposed of since April 2016?

11 A. I'm exercising my Fifth Amendment rights under the U.S.
12 Constitution.

13 Q. Mr. Faulkner, as of receiving requests for cooperation
14 from the receiver on August 15th, 2017, you did not identify
15 each and every receivership asset to the receiver, did you?

16 A. I'm exercising my Fifth Amendment rights under the U.S.
17 Constitution.

18 Q. Mr. Faulkner, on page -- paragraph 4 of Exhibit 8, if you
19 would look at that.

20 As of receiving requests for cooperation from the
21 receiver on August 15th, 2017, you did not identify each and
22 every account at any financial institution receiving funds,
23 including, without limitation, oil and gas production proceeds
24 related to receivership assets, did you?

25 A. I'm exercising my Fifth Amendment rights under the United

1 States Constitution.

2 Q. Mr. Faulkner, if you will look at paragraph 5 on page 2
3 of -- of Exhibit 8.

4 Mr. Faulkner, as of August 15th, 2017, in response to a
5 request for cooperation from the receiver, you did not
6 identify the funds constituting -- constituting receivership
7 assets or assets subject to the asset freeze which are
8 currently on deposit anywhere, did you?

9 MR. BOISVERT: Your Honor, I just want to make an
10 objection to the initial assumption in the question that
11 Mr. Faulkner actually received the request for cooperation by
12 the receiver. It's not supported by any evidence so far
13 today.

14 THE COURT: Okay. Normally, the court would not be
15 concerned because the questions of counsel are not evidence;
16 however, I'm assuming you're going to be requesting an adverse
17 inference as to these questions. Therefore, the -- in order
18 for the court to draw an adverse inference the question needs
19 to be supported.

20 So do you want to rephrase the question?

21 MR. ROSS: Yes, Your Honor.

22 And actually, as to the last question, I will withdraw
23 the question.

24 And I would just further represent to the court that
25 while we are not able to lay a foundation as to each and every

1 questions, while Mr. Faulkner invokes his Fifth Amendment
2 rights, we will be able to lay a foundation for these
3 questions and these exhibits through other witnesses.

4 THE COURT: All right. The question is withdrawn
5 then.

6 BY MR. ROSS:

7 Q. Mr. Faulkner, I'd like you to turn to receiver's Exhibit
8 16.

9 Mr. Faulkner, isn't it true that as of August 17th, 2017,
10 the receiver notified you that opening a new mailbox would be
11 a willful violation of the order appointing the temporary
12 receiver?

13 A. I'm invoking my Fifth Amendment rights afforded me by the
14 U.S. Constitution.

15 MR. ROSS: Pardon me, Your Honor.

16 (Pause.)

17 BY MR. ROSS:

18 Q. Mr. Faulkner, I would like you to look at Exhibit 37,
19 which is already in -- in evidence.

20 On Exhibit 37 you were listed as a member -- member on
21 the operating agreement for RackAlley, LLC, are you not?

22 A. I'm exercising my Fifth Amendment rights under the U.S.
23 Constitution.

24 Q. Mr. Faulkner, on the third page of that exhibit, that is
25 your signature under the typewritten name Christopher

1 Faul kner, is i t not?

2 A. I 'm exercising my Fi fth Amendment rights under the U.S.
3 Consti tution.

4 Q. Mr. Faul kner, I 'd like you to look at Exhibit 38, which
5 has al ready been admi tted into evi dence.

6 Mr. Faul kner, this lists you as a broker on the sale of
7 RackAl ley assets, which is not true, is i t?

8 A. I 'm exercising my Fi fth Amendment rights under the U.S.
9 Consti tution.

10 Q. Mr. Faul kner, you never acted as a broker for the sale of
11 RackAl ley assets, did you?

12 A. I 'm exercising my Fi fth Amendment rights under the U.S.
13 Consti tution.

14 Q. Mr. Faul kner, you exer ci sed control over U.S. Property
15 Investments, Inc., do you not?

16 A. I 'm exercising my Fi fth Amendment rights under the U.S.
17 Consti tution.

18 Q. Mr. Faul kner, you exer ci se control over -- or --
19 Mr. Faul kner, you're -- you have an ownership i nterest i n U.S.
20 Propert i es -- Property Investments, Inc., do you not?

21 A. I 'm exercising my Fi fth Amendment rights under the U.S.
22 Consti tution.

23 Q. Mr. Faul kner, I 'd like you to look at Exhibit 35.

24 Mr. Faul kner, Exhibit 35 is a document dated October 3rd,
25 2017; is that correct?

1 A. I'm exercising my Fifth Amendment rights under the United
2 States Constitution.

3 Q. And this filing, with Shannon Bresnahan as the president,
4 vice president, secretary, and director of U.S. Property
5 Investments, Inc., does it not?

6 A. I'm exercising my Fifth Amendment rights under the United
7 States Constitution.

8 Q. Mr. Faulkner, as of October 3rd, 2017, you had a romantic
9 relationship with Shannon Bresnahan, did you not?

10 A. I'm exercising my Fifth Amendment rights under the United
11 States Constitution.

12 Q. Mr. Faulkner, as of October 3rd, 2017, you shared a
13 residence with Shannon Bresnahan, did you not?

14 A. I'm exercising my Fifth Amendment rights under the U.S.
15 Constitution.

16 Q. Mr. Faulkner, as of today, assets belonging to the
17 receivership estate have been deposited in -- into the
18 accounts of U.S. Property Investments, Inc., have they not?

19 A. I'm exercising my Fifth Amendment rights under the United
20 States Constitution.

21 Q. Mr. Faulkner, I'd like you to turn to Receiver's Exhibit
22 65.

23 Mr. Faulkner, on December 8th, 2017, did you send a text
24 message to Mohamed Arab stating "Carole has drafted a lawsuit
25 against you, Matt, RackAlley, and HiV for fraud"?

1 MR. BOISVERT: Object, Your Honor, hearsay. Exhibit
2 64 is also not authenticated.

3 THE COURT: Overruled.

4 BY MR. ROSS:

5 Q. You can answer the question.

6 A. I'm exercising my Fifth Amendment rights under the U.S.
7 Constitution.

8 Q. Mr. Faulkner, did you also text Mr. Mohamed Arab on
9 December 8th attaching a draft affidavit to request that
10 Mr. Arab sign it?

11 A. I'm exercising my Fifth Amendment rights under the United
12 States Constitution.

13 Q. Mr. Faulkner, I would like you to turn to Receiver's
14 Exhibit 67.

15 Mr. Faulkner, did you send this document by way of a text
16 message to Mr. Mohamed Arab on December 8th, 2017?

17 A. I'm exercising my Fifth Amendment rights afforded to me
18 under the United States Constitution.

19 MR. BOISVERT: Your Honor, if I may, just, again, I
20 want to reiterate my objection from earlier that's addressed
21 in our motion to strike with respect to Exhibits 64 through
22 70. These were all late designated after the deadline to
23 submit exhibit lists.

24 MR. ROSS: And, Your Honor, if --

25 MR. BOISVERT: Your Honor --

1 MR. ROSS: -- I may respond to that?

2 MR. BOISVERT: Your Honor, it's also outside of the
3 scope of the motions for contempt in this hearing.

4 THE COURT: You may respond.

5 MR. ROSS: Yes.

6 With respect to the timeliness, Your Honor, this was
7 texted to Mr. Arab by Mr. Faulkner on December 8th. We have
8 no control over when documents were sent and when evidence
9 is -- comes into the possession of the receiver. It -- it was
10 created after the deadline, so we don't believe it's
11 appropriate for -- for Mr. Faulkner, in particular, to object
12 to timeliness.

13 We also believe it is within the scope.

14 THE COURT: At this point the motion to strike is
15 denied as to this exhibit and the objection is overruled.

16 You may continue.

17 MR. ROSS: Thank you.

18 BY MR. ROSS:

19 Q. Mr. Faulkner, I'd like you to turn to page 2 of Exhibit
20 67.

21 I will be focusing on the first full paragraph beginning,
22 "On or about March . . ."

23 Mr. Faulkner, RackAllay never entered a broker agreement
24 with U.S. Property Investments, Inc., did it?

25 A. I'm exercising my Fifth Amendment rights based on the

1 United States Constitution.

2 Q. And, Mr. Faulkner, I would direct you to the last
3 sentence of that same paragraph.

4 Mr. Faulkner, you controlled RackAlley, LLC, did you not?

5 A. I'm exercising my Fifth Amendment rights under the U.S.
6 Constitution.

7 Q. Mr. Faulkner, you managed RackAlley, LLC, did you not?

8 A. I'm exercising my Fifth Amendment rights under the U.S.
9 Constitution.

10 Q. Mr. Faulkner, you were an owner of RackAlley, LLC, were
11 you not?

12 A. I'm exercising my Fifth Amendment rights under the U.S.
13 Constitution.

14 Q. Mr. Faulkner, you were a member of RackAlley, LLC, were
15 you not?

16 A. I'm exercising my Fifth Amendment rights under the United
17 States Constitution.

18 Q. Mr. Faulkner, you were a shareholder of RackAlley, LLC,
19 were you not?

20 A. I'm exercising my Fifth Amendment rights under the U.S.
21 Constitution.

22 (Pause.)

23 MR. ROSS: Apologize for the delay, Your Honor.

24 MR. TOMKO: Exhibit 33.

25 BY MR. ROSS:

1 Q. Mr. Faulkner, I'll turn your attention to Exhibit 32,
2 which has already been admitted into evidence.

3 Mr. Faulkner, are you in possession of a check issued by
4 RackAlley, LLC, to U.S. Property Investments, Inc., in the
5 amount of \$60,000, as -- as displayed on Exhibit 32?

6 A. I'm exercising my Fifth Amendment rights based on the
7 U.S. Constitution.

8 Q. I'd like to turn your attention to Exhibit 33,
9 Mr. Faulkner, which is already admitted into evidence.

10 Mr. Faulkner, have you ever been in possession of the
11 check shown on the first page of Exhibit 33?

12 A. I'm exercising my Fifth Amendment rights based on the
13 United States Constitution.

14 Q. Mr. Faulkner, are you currently -- did you -- did you
15 cash the check shown on the first page of Exhibit 33?

16 A. I'm exercising my Fifth Amendment rights under the United
17 States Constitution.

18 Q. Mr. Faulkner, I'll turn your attention to the second page
19 of Exhibit 33.

20 Mr. Faulkner, have you ever been in possession of the
21 cashier's check noted on the second page of Exhibit 33?

22 A. I'm exercising my Fifth Amendment rights under the United
23 States Constitution.

24 Q. Mr. Faulkner, did you -- did you purchase the cashier's
25 check indicated on the second page of Exhibit 33?

1 A. I'm exercising my Fifth Amendment rights afforded to me
2 by the United States Constitution.

3 Q. Mr. Faulkner, are you currently in possession of the
4 check on the second page of Exhibit 33?

5 A. I'm exercising my Fifth Amendment rights under the United
6 States Constitution.

7 MR. ROSS: Pass the witness, Your Honor.

8 THE COURT: Cross-examination?

9 MR. BOISVERT: No questions, Your Honor.

10 MS. FAULKNER: No questions, Your Honor.

11 THE COURT: You may step down.

12 At this time we're going to take our lunch recess until
13 1:30.

14 We will resume at 1:30.

15 THE SECURITY OFFICER: All rise.

16 (Recess taken at 12:03.)

17 (Proceedings resumed at 1:30.)

18 THE SECURITY OFFICER: All rise.

19 THE COURT: Be seated, please.

20 You may call your next witness.

21 MR. TOMKO: Mr. Sowards.

22 RODNEY WAYNE SOWARDS, WITNESS, SWORN

23 THE COURT: Be seated, please, and speak into the
24 microphone.

25 DIRECT EXAMINATION

1 BY MR. TOMKO:

2 Q. Would you state your full name and spell your last name,
3 please.

4 A. Rodney Wayne Sowards, S-o-w-a-r-d-s.

5 Q. Mr. Sowards, where are you employed?

6 A. I'm employed at Veritas Advisory Group here in Dallas.

7 Q. In what capacity?

8 A. I'm vice president and founding shareholder.

9 Q. And what is your field of expertise?

10 A. Forensic accounting.

11 Q. And who hired you for this representation?

12 A. There's been two retentions. One directly by the SEC and
13 then one by the receiver.

14 Q. Okay. And you are appearing today in the capacity of a
15 summary witness; is that correct?

16 A. That's my understanding, yes.

17 Q. All right. And you were requested by the counsel for the
18 receivers to summarize what, sir?

19 A. To summarize from bank statements and public records
20 various relationship of companies that are either owned or
21 controlled by Christopher Faulkner.

22 Q. Okay. I want to call your attention to Exhibit Receiver
23 61.

24 MR. BOISVERT: Your Honor, may I make an objection
25 to Mr. Sowards' testimony?

1 He's been designated as a summary witness. We have not
2 been provided the documents on which he's basing his summary
3 today. Those documents have to be shown to be admissible;
4 otherwise, his testimony today is just pure hearsay based on
5 hearsay documents that have not been admitted today in this
6 proceeding.

7 I would also object to the relevance of Mr. Sowards'
8 testimony today.

9 The documents that the counsel for receiver pur--
10 purports to -- wants to admit through this witness, Your
11 Honor, are -- are Receiver's Exhibits 62 and 63, which
12 appear to be a diagram of money transfers from January 2011
13 through February of 2016, not relevant to any of the -- well,
14 what's being heard today on the order for show cause.

15 And then again, Exhibit 63, Your Honor, appears to be a
16 PowerPoint slide BECC consolidated the operations of BECC
17 accrued which is based on a 10-K dated March 2013.

18 Again, these documents are not in evidence. They weren't
19 provided to us prior to Mr. Sowards' testimony today in
20 connection with his designation as a summary witness, and we
21 would move to strike this testimony.

22 MR. TOMKO: Your Honor, all these documents have
23 been provided to them. They are provided with the original
24 report Mr. Sowards did, his expert report that he did for the
25 SEC.

1 61 is a list of all of the documents that he reviewed
2 for -- for that report and for this report. And I have been
3 advised by Mr. Soward [sic] and by the SEC that all of these
4 documents were made available to the defendants as part of
5 this litigation.

6 These are not documents that are in the custody and
7 control of the receiver. They are in the custody and control
8 of the SEC, as a party to the original lawsuit.

9 THE COURT: And with regard to the hearsay
10 objection, what's your response to that objection?

11 MR. TOMKO: To which -- to which example is he
12 objecting?

13 MR. BOISVERT: Well, all of the --

14 THE COURT: Well, let's just assume that there are
15 some that would be hearsay, what would -- what would be your
16 response?

17 MR. TOMKO: They're all -- they're all -- they're
18 all bank records that are records of companies that were
19 controlled by Mr. -- by Mr. Faulkner. We have had testimony
20 here that he controlled the finances of all of these
21 companies. There are no companies or outside entities from
22 which he is excluded.

23 In addition, the second document, 63, summarizes all
24 public filings by -- bearing -- bearing -- yeah, by the oil
25 company that is a public company, and those documents were all

1 available -- were filed by the company to -- in which
2 Mr. Faulkner is an officer and were provided to the SEC and
3 are part of public record.

4 THE COURT: Do you wish to reply, Mr. Boisvert?

5 MR. BOISVERT: Yes, Your Honor. Thank you.

6 The documents listed on Exhibit 1 don't solely consist of
7 bank statements.

8 With respect to the ones that do, there's no business
9 records affidavit or any documents authenticating these
10 documents or demonstrating that they are business records of
11 the banks which they purport to be bank statements from.

12 None of these documents are in evidence today.

13 The expert report that was provided that was based on
14 these documents, Your Honor, was provided I believe on August
15 7th, 2017, so it predates the orders that are issued today.

16 All of these documents are dated -- there's nothing dated
17 this year, Your Honor, as far as I can tell.

18 So I -- I don't see the relevance of this testimony. And
19 I stand on the hearsay objection.

20 THE COURT: Regarding the relevance objection, I'll
21 overrule that objection.

22 Regarding the hearsay objection, if in fact there is a
23 document on which he relies that has not been properly
24 supported, I'll just disregard that when I make my decision.

25 So the objections are overruled subject to my

1 disregarding inadmissible evidence.

2 You may proceed, Mr. Tomko.

3 MR. TOMKO: Thank you, Your Honor.

4 BY MR. TOMKO:

5 Q. Mr. Soward, looking at Exhibit 61, is this a document
6 that was prepared by you for you?

7 A. It was.

8 Q. Is this a true and correct copy of that document?

9 A. It is an excerpt of the documents for review for you to
10 consider from my original report.

11 Q. Okay. And -- and does this document list all of the
12 documents that -- that you reviewed for the purpose of your
13 summary testimony?

14 A. What I reviewed for the summary is really a subset, but
15 they're all within that document listing, -- yes --

16 Q. Can you identify on this --

17 A. -- sir.

18 THE COURT: Just a moment.

19 If you won't talk over the witness --

20 MR. TOMKO: I'm sorry.

21 THE COURT: -- it will help the court reporter.

22 MR. TOMKO: I'm sorry, Your Honor.

23 BY MR. TOMKO:

24 Q. Can you identify the specific document you reviewed --

25 A. I can --

1 Q. -- in preparation for Exhibit 62?

2 A. Yes, I can.

3 With respect to Exhibit 62, I looked at the bank
4 statement database that contained over 64,000 transactions for
5 102 bank accounts owned or controlled by BOG, BECC, BRC,
6 Crude, Patriot, and Simplify Solutions for Faulkner.

7 I also looked at the Wells Fargo bank statements, the
8 Bank of America bank statements, the JP Morgan bank
9 statements, the BBVA Compass bank statements, a list of bank
10 accounts that are denoted on the first page.

11 On the second page, I looked at the Coadvantage payroll
12 data, the Intuit payroll data, the Malone Bailey, Rothstein,
13 R-o-t-h-s-t-e-i-n, Kass, K-a-s-s, audit workpapers.

14 And on the third page I looked at the consolidated
15 general ledgers of BOG, BRC, and Crude. I looked at the
16 general ledger of Patriot, the general ledger of Crude, and a
17 category of documents called various SEC filings.

18 Q. And as a result of that review were you able to prepare a
19 graphic to establish cash flow?

20 A. Yes, sir, I was.

21 Q. All right. And I'll ask you to look at Exhibit 62.

22 Is that a document that you recognize, sir?

23 A. It is.

24 Q. What is it?

25 A. It is a document that I had prepared that summarized from

1 the bank account information to help sort of codify the -- the
2 money transfers that happened between BOG, BECC, Crude,
3 Patriot, and BRC.

4 And we've denoted in yellow boxes sort of surrounding it
5 sort of the summary information that accounts for in summary
6 status the amount of transactions and the dollar amount that
7 flowed between those entities.

8 MR. TOMKO: We would move for the admission, Your
9 Honor, of Exhibit Receiver 62.

10 MR. BOISVERT: Again, I make the same objection,
11 Your Honor, hearsay based on exhibits -- or documents that are
12 not in evidence and are hearsay themselves.

13 Also I object to the relevance with respect to transfers
14 taking place between January 2011 and February of 2016, which
15 is a year and a half before the court entered the first order
16 that's the subject of the motions today.

17 THE COURT: I'll overrule the relevance objection.

18 Regarding hearsay, it appears the foundation has been
19 laid that this document is derived from bank statements which
20 would not be hearsay.

21 Again, if I determine that any basis for this is
22 inadmissible, I'll disregard it in making my ruling.

23 Accordingly, Exhibit 62 is admitted.

24 BY MR. TOMKO:

25 Q. Can you summarize that for the record, sir.

1 A. I think if you look at the bottom left corner of it in
2 the yellow box that based upon the bank statement analysis
3 that we did over that time frame, January of '11 through
4 February of 2016. We identified over 500 money transfers that
5 happened between the BECC/BOG entity and BRC, Patriot and
6 Crude.

7 In the bottom right-hand corner you will see that for
8 over those 500 transactions over 74 million dollars of monies
9 was transferred between those entities.

10 And in the top left yellow box you will denote that we
11 summarized that the BOG/BECC entities received over \$42
12 million from BRC, Crude, and Patriot, while the same entities,
13 BOG and BECC, transferred over \$13 million to BRC, Crude, and
14 Patriot. It's sort of a summary of the money flow in terms of
15 quantity of transactions and the dollar amount of those
16 transactions.

17 Q. And BRC is what, sir?

18 A. That's the Breitling Royalty Corporation.

19 Q. Okay.

20 Okay. And call your attention, sir, to Exhibit 63.

21 Can you identify that?

22 A. Yes.

23 This is a -- a three page document that I caused our
24 staff to create based upon SEC filings and the accounting and
25 auditors' workpapers for the BECC entity.

1 Q. The SEC filings for BECC?

2 A. These are SEC filings, yes, for BECC, yes, sir.

3 Q. Okay. And -- and -- and what have you created here?

4 Can you just give us a generic.

5 A. Sure.

6 The first page is just generally a summary of an SEC
7 filing that -- that reports that BECC is owned and -- between
8 BOG and BRC approximately 92 percent of its shares. And it's
9 a reporting mechanism that talks about that controlled by
10 ownership that exists between those entities in terms of a
11 controlled voting ownership between those three.

12 Q. Let me make sure I understand it correctly, BRC and BOC
13 [sic] earn 90 percent -- or 92.5 percent of BECC?

14 A. BOG, yes, sir. Yes.

15 Q. Okay. I'm sorry. I'm sorry.

16 A lot of letters.

17 A. It is.

18 Q. All right.

19 MR. TOMKO: Your Honor, we would move for the
20 admission of Exhibit Receiver 63, please.

21 MR. BOISVERT: Object again to the hearsay and that
22 this is based on documents that have not been authenticated
23 and documents that are also hearsay and object to the
24 relevance.

25 THE COURT: The objections are overruled.

1 And, again, I'll disregard anything that I find is
2 inadmissible in making my ruling.

3 Receiving Exhibit 63 is admitted.

4 BY MR. TOMKO:

5 Q. And the relationship Crude and BECC, what did you -- how
6 did you determine that to be a relationship, sir?

7 A. That was a combination of the SEC public filing as well
8 as the auditor workpapers regarding the necessity for BECC to
9 consolidate the reports of operations from Crude into BECC's
10 accounting and public filing.

11 Q. Can you work us backward from the filing to how you got
12 there?

13 A. Sure.

14 The issue arose after the creation of Crude with respect
15 to the auditors and the appropriate GAAP presentation of
16 financial information for BECC as to whether or not BECC
17 exercised sort of dominion and control, economic control over
18 Crude.

19 The auditors determined in their workpapers, and as
20 summarized on the second page of this three page PowerPoint,
21 that BECC did exercise economic dominion and control and that
22 it would be appropriate under GAAP for BECC to actually
23 consolidate the accounting activities and financial reporting
24 of Crude when presenting the quarterly filing for Crude in the
25 third quarter of '14.

1 Q. So were they in fact consolidated for the purpose of the
2 public filing?

3 A. They were.

4 Q. Okay. And so Crude -- the assets and liabilities of
5 Crude were included in the public filing of BECC?

6 A. As well as the state-- the statement of operations from
7 income, yes.

8 MR. TOMKO: Okay. All right. I have no further
9 questions, Your Honor.

10 THE COURT: Cross-examination.

11 CROSS EXAMINATION

12 BY MR. BOISVERT:

13 Q. Good afternoon, Mr. Sowards.

14 A. Good afternoon.

15 Q. Have you had a chance to review the court's August 14,
16 2017, order in this case?

17 A. I have not.

18 Q. Okay. Would it be fair to say that your testimony today
19 has nothing to do with respect to any transactions that
20 occurred on or after August 14th, 2017?

21 A. It would be fair to say that my summary does not include
22 any of those -- any transactions after the February of 2016
23 that was the subject of our report.

24 Q. Okay. And your opinions today are not based on any --
25 are they based on any documentation dated on or after August

1 14th, 2017?

2 A. They're not based on any documentation after that date,
3 no, sir.

4 Q. Okay.

5 After what date?

6 A. After the date you just said in 20-- they're not based on
7 any documentation after February of 2016.

8 Q. Okay. So you're not relying on any documentation after
9 February of 2016?

10 A. We may have as part of our original report, but for
11 purposes of the summary, no.

12 Q. Okay.

13 A. There's no -- there's no bank statement or accounting
14 recordation that we have after that date.

15 Q. Okay.

16 A. After February of '16.

17 Q. Is there any documentation at all?

18 A. I would have to go back and look and see if there's an
19 email or some other correspondence that we may have been
20 provided subsequent to that February '16, but substantially
21 the bank account analysis and the public filings analysis was
22 up until that February of '16 time frame.

23 Q. Okay. And, in fact, on Exhibit 61 you don't identify any
24 documents that you reviewed and considered in connection with
25 your testimony today that are dated -- the latest date I

1 see -- well, I see 2016 dates, but it would be fair to say you
2 relied on nothing dated from January 1, 2017, forward,
3 correct?

4 A. I think that would be a fair assessment, yes.

5 Q. And your opinion today has basically offered a
6 mathematical summary of these transactions, correct?

7 You're not opining as to whether any of these
8 transactions were wrongful or not, correct?

9 A. I don't have any opinion on the character of the
10 transactions. You're correct that I'm summarizing it and
11 hopefully guidance in terms of what consolidation means, in
12 terms of once you consolidate what does that mean from an
13 accounting perspective that you have some control, otherwise,
14 you would not consolidate.

15 MR. BOISVERT: Okay.

16 Pass the witness, Your Honor.

17 MS. FAULKNER: I have no questions, Your Honor.

18 MR. TOMKO: No further questions, Your Honor.

19 THE COURT: Any objection to excusing the witness?

20 MR. TOMKO: None, Your Honor.

21 MR. BOISVERT: No, Your Honor.

22 THE COURT: Thank you, sir. You're excused.

23 You may step down.

24 MR. TOMKO: The receiver would call the receiver,
25 Your Honor.

1 THOMAS L. TAYLOR, III, WITNESS, SWORN

2 THE COURT: Be seated, please, and speak into the
3 microphone.

4 DIRECT EXAMINATION

5 BY MR. TOMKO:

6 Q. State your name for the record, please.

7 A. It's Thomas L. Taylor, III.

8 Q. And spell your last name.

9 A. T-a-y-l-o-r.

10 Q. Mr. Taylor, give us a little of your background, if you
11 would, please.

12 A. I'm a graduate of the University of Texas Law School,
13 admitted in Texas and California and New York, on retired
14 status in New York.

15 My practice is focused upon securities litigation and
16 enforcement. And I spend a good portion of my time acting as
17 a receiver in federal law enforcement actions.

18 Q. And you've acted as receiver for the SEC?

19 A. I have.

20 Q. And you have been appointed by this court as the receiver
21 in this transaction?

22 A. Yes.

23 Q. Is that correct?

Now, I'd like to call your attention to Exhibit R 42.

25 | Are you familiar with that document, sir?

1 A. Yes, I am.

2 Q. And does that document set forth in summary fashion what
3 your responsibilities and powers are to be?

4 A. Exhibit 42, I believe, is the TRO and asset freeze.

5 Q. Okay. And it says on page -- the bottom of page 1, it
6 identifies what document, sir?

7 A. Orders entered on the motion of the Securities and
8 Exchange Commission for the issuance of an order ex parte.

9 The burden is relief against defendants.

10 Q. Okay. And then Exhibit 43, sir.

11 A. Exhibit 43 is the order appointing temporary receiver.

12 Q. And are you familiar with that?

13 A. I am.

14 Q. And what does it -- are you familiar with what assets it
15 provided you to have access over in your role as a receiver?

16 A. Yes. As set forth in the order, this appointment is
17 necessary for the purposes of marshalling and preserving all
18 oil and gas related assets in any form or of any kind
19 whatsoever owned, controlled, possessed, or managed, directly
20 or indirectly, by the three named defendants.

21 Q. Did you find that at all confusing?

22 A. No, I did not.

23 Q. To you -- did you form an opinion as to what it covered
24 after you read that?

25 A. I did.

1 Q. And what was that opinion, sir?

2 A. In my opinion it covered any of the assets related to the
3 Breitling entities which had been controlled by, managed by,
4 or owned by Mr. Faulkner or by the other -- any entity by the
5 two named entities.

6 Q. And then calling your attention also to page 3 of that
7 document, paragraph 6-B, what directions were provided to you?

8 A. What orders did I issue pursuant to paragraph 6-D?

9 Q. 6-B, as in boy.

10 A. 6-B.

11 We immediately commenced serving the order on various oil
12 and gas producers and other oil and gas related entities that
13 had had business relationships with Faulkner and the related
14 entities.

15 We immediately took possession of the known post office
16 box. In fact, I did that on the afternoon of the entry of the
17 order.

18 I proceeded from there to attempt to serve Mrs. Faulkner
19 as counsel to the two named entities. We went to her home and
20 were unable to contact her. I learned that she had been
21 served by mail and that subsequently that evening she had been
22 served with all of the SEC's moving papers.

23 Q. Now --

24 A. I also contacted counsel to the entities and counsel to
25 Mr. Faulkner to ask them to cooperate in turning over all the

1 assets.

2 Q. And the post office box that you were given authority
3 for, it's identified, is it not, on page 5, paragraph 11?

4 A. We were given authority specifically over that P.O. Box,
5 but without limitation.

6 Q. And what P.O. Box is that, sir?

7 A. The P.O. Box located at 3930 Glade Road in Colleyville.

8 Q. Does this document also contain a stay of litigation,
9 sir?

10 Page 8.

11 A. It does. It's a fairly standard provision in all federal
12 law enforcement receivership orders.

13 Q. And was there any ambiguity in that language that you
14 perceived --

15 A. None.

16 Q. -- when you read it?

17 A. No.

18 Q. And Exhibit 44, sir. That's issued subsequent to the
19 document 43; is that correct?

20 A. Yes. This is an order entered by the court on September
21 25th.

22 Q. All right. Does it also indicate what assets are
23 covered?

24 A. It does.

25 Q. And what did you understand those assets to be?

1 MR. BOISVERT: I'm sorry, Mr. Tomko, what paragraph
2 are you?

3 BY MR. TOMKO:

4 Q. We would look right at the first, "The court finds,"
5 directly below the order.

6 A. Until further order of the court Thomas is appointed to
7 serve without bond as temporary receiver (the receiver) for
8 the estates of the receivership defendants and the
9 receivership assets.

10 Q. And for the purpose of marshalling and preserving all
11 assets in any form or of any kind whatsoever, owned,
12 controlled, managed, or possessed by defendant Christopher A.
13 Faulkner, Bering Oil and Gas Corporation, and Bering Energy
14 Corporation.

15 Did I read that --

16 A. Yes.

17 Q. -- correctly?

18 And does this document also contain a segment on page 5,
19 paragraph A?

20 A. I'm sorry, paragraph what?

21 Q. A, as in apple.

22 A. All oil and gas operators, and all banks, brokerage
23 firms, financial institutions, and other persons, et cetera,
24 rather shall not liquidate, transfer, sell, convey, or
25 otherwise transfer any assets, securities, funds, or accounts

1 in the name of or for the benefit of the receivership
2 defendants, except upon instructions from the receiver.

3 Q. And Mr. Faulkner is one of those receivership defendants,
4 was he not?

5 A. Yes.

6 And there is no limitation on that, is there, to any specific
7 type of funds?

8 A. No, there is not.

9 Q. Any ambiguity that you perceived in that language, sir?

10 A. No.

11 Q. I'm going to then draw your attention to Exhibit R 1.

12 Are you familiar with that document?

13 A. Yes, sir.

14 Q. And how are you familiar with it?

15 A. We were coordinating with the Securities and Exchange
16 Commission in immediately serving all necessary parties with
17 the order appointing receiver.

18 I believe I was likely copied on this.

19 I was. When Mr. McColle confirmed to Mr. Friedman that
20 the orders of the court had been issued.

21 Q. Is this a true and correct of the document as you
22 received it, sir?

23 A. Yes.

24 Q. And have you retained that in your file since then?

25 A. Yes.

1 MR. TOMKO: We would move, Your Honor, for the
2 admission of Exhibit 1.

3 MR. BOISVERT: No objection.

4 MS. FAULKNER: No objection.

5 BY MR. TOMKO:

6 Q. Receiver Exhibit --

7 THE COURT: Just a moment.

8 MR. TOMKO: I'm sorry.

9 THE COURT: Receiver --

10 MR. TOMKO: I'm sorry, Your Honor.

11 THE COURT: -- Exhibit 1 is admitted.

12 BY MR. TOMKO:

13 Q. Receiver Exhibit 2.

14 A. Yes.

15 Q. Are you familiar with that document?

16 A. I am.

17 Q. And I would ask you the same questions:

18 Did you receive that document?

19 A. I did.

20 Q. Is it a true and correct copy of the document as you
21 received it?

22 A. Yes, it is.

23 Q. And did you maintain custody of that document from the
24 time of its reception?

25 A. I did.

1 Q. And this is an indication to Ms. Faulkner; is that
2 correct?

3 A. That's correct.

4 Q. And it is in her capacity as counsel; is that correct?

5 A. Yes, it was.

6 MR. TOMKO: Your Honor, we would move for the
7 admission of Exhibit R 2.

8 THE COURT: Any objection?

9 MR. BOISVERT: No objection.

10 MS. FAULKNER: No objection, Your Honor.

11 THE COURT: Receiver Exhibit 2 is admitted.

12 BY MR. TOMKO:

13 Q. And am I correct in saying on Exhibit R 1 the date is
14 August the 14th, 2017, at 2:47 p.m.?

15 A. That is correct.

16 Q. And on Exhibit 2 it is August 14th, 2017, at 2:38 p.m.;
17 is that correct, sir?

18 A. That is correct.

19 Q. Now, I want to call your attention to Exhibit 8, sir.

20 A. Was that 8?

21 Q. Yes, sir.

22 A. Yes.

23 Q. Can you identify that?

24 A. I can.

25 Q. What is it?

1 A. It's a communication that I transmitted to counsel for
2 Mr. Faulkner. It indicates that it's from Kelly Cornelison.
3 That's because it was generated from my assistant's computer,
4 but I wrote the document.

5 Q. Okay. And is this a true and correct copy of the
6 document that you prepared at the time?

7 A. Yes, it is.

8 Q. Is it -- was it your -- is it your policy to retain and
9 control copies of these documents as you prepare them?

10 A. Yes.

11 MR. TOMKO: We would move, Your Honor, for admission
12 of Defendant's Exhibit 8.

13 MR. BOISVERT: No objection.

14 MS. FAULKNER: No objection, Your Honor.

15 THE COURT: Receiver Exhibit 8 is admitted.

16 BY MR. TOMKO:

17 Q. And in this document did you repeat the information that
18 was contained in the orders from this court?

19 A. Yes.

20 Q. All right.

21 And can you just read from the second paragraph starting
22 with "I have been instructed by the court . . ."

23 A. "I have been instructed by the court to take immediate
24 possession and control of the receivership assets defined as
25 all oil and gas related assets in any form or of any kind

1 whatsoever, owned, controlled, possessed, or managed, directly
2 or indirectly, by defendants Christopher A. Faulkner,
3 Breitling Oil & Gas Corporation and Breitling Energy
4 Corporation."

5 Q. And did you also identify the mail box on here,
6 Exhibit --

7 A. I identified it. And also advised that I had taken
8 possession of that P.O. Box on the afternoon of August 14th.

9 Q. And this was direct -- this is dated August the 15th of
10 2017 at 12:44 p.m.?

11 A. Yes.

12 Q. And this is to counsel for Mr. Friedman?

13 Counsel for Mr. Faulkner, Mr. Friedman?

14 A. For Mr. Faulkner to Mr. Friedman, yes.

15 Q. All right.

16 Did -- at this time did you get a response from either
17 counsel for Mr. Faulkner or Mr. Faulkner concerning mail boxes
18 that were possessed or controlled by Mr. Faulkner -- Friedman --
19 Faulkner (laughing) or any of his entities?

20 A. Well, as to entities, I received information from
21 Mrs. Faulkner on the 15th regarding the mail box.

22 Q. Okay.

23 A. I did not receive any specific information at that time
24 from Mr. Friedman's firm regarding Mr. Faulkner.

25 Q. Okay. No one told you that there was a mail box on

1 Northwest Highway --

2 A. No.

3 Q. -- did they?

4 A. No. I had a conversation with Mrs. Faulkner that must
5 have lasted 10 to 15 minutes, during which we discussed in
6 detail the Colleyville mailbox. And she did not disclose that
7 there was another mailbox at which mail was being received for
8 the receiverships.

9 Q. And calling your attention to Exhibit R 9. Is this a
10 document that you authored, sir?

11 A. Yes.

12 Q. And is this a true and correct copy of the document that
13 you prepared at the time?

14 A. Yes.

15 Q. And is it your duty -- or your ability to maintain
16 custody and control of copies of these documents once you have
17 prepared them?

18 A. Yes.

19 MR. TOMKO: I would move, Your Honor, for the entry
20 of document Receiver Number 9.

21 MR. BOISVERT: No objection.

22 MS. FAULKNER: No objection, Your Honor.

23 THE COURT: Receiver Exhibit 9 is admitted.

24 BY MR. TOMKO:

25 Q. And this is addressed to whom, sir?

1 A. Exhibit 9 is direct -- directed to Mrs. Faulkner.

2 Q. And this is also on August the 15th; is that correct?

3 A. That is correct. And I had a -- the conversation I just

4 described on the same day.

5 Q. The conversation you had with her --

6 A. Correct.

7 Q. -- was the same day?

8 A. Was on that day.

9 Q. And in that conversation she did not disclose to you the

10 existence of the second mailbox?

11 A. She did not.

12 Q. Now, Exhibit R 10, sir.

13 A. Yes.

14 Q. Are you familiar with that document?

15 A. I am.

16 Q. Is this a document you received in the ordinary course of

17 business?

18 A. Yes.

19 Q. And is it a true and correct copy of the document as you

20 received it?

21 A. Yes.

22 Q. And did you retain a copy of this document in its exact

23 form in your records since the time of reception?

24 A. I did.

25 Q. Okay.

1 MR. TOMKO: Your Honor, we would move for the
2 admission of Receiver's Exhibit 10.

3 MR. BOISVERT: No objection.

4 MS. FAULKNER: No objection, Your Honor.

5 THE COURT: Receiver Exhibit 10 is admitted.

6 BY MR. TOMKO:

7 Q. This is a document from counsel for Mr. Faulkner; is that
8 correct, sir?

9 A. It's -- it's from Josh Blum, who was associated with
10 Mr. Friedman's firm at the time.

11 Q. And they were counsel for Mr. Faulkner?

12 A. Counsel to Mr. Faulkner, yes.

13 Q. And does this indicate to you what actions, if any,
14 Mr. Faulkner is taking to respond to your requests?

15 A. In general, yes.

16 Q. And what does it say, in general?

17 A. Mr. Faulkner states that to the extent the information is
18 in Mr. Faulkner's possession, custody, or control,
19 Mr. Faulkner is working diligently to identify the foregoing
20 information.

21 It's in substance the response on most of these.

22 Q. Did you receive documents in -- at or about this time
23 from Mr. Faulkner?

24 A. I did not.

25 Q. When did you first begin to receive documents from

1 Mr. Faulkner, if you recall?

2 A. Well, there was a production of a number of boxes of
3 documents. I am not sure what date that commenced. I'm sure
4 it was a month after this.

5 Those documents predated the pendency of this litigation,
6 I mean, the litigation in chief, and were largely, if not
7 exclusively, documents that had been gathered a year before.

8 Q. And did you specifically ask in question number 2 on this
9 document about the checks or other items being retrieved from
10 the post office box?

11 A. Yes. I mean, our first order of business was to identify
12 and try to retrieve, recapture assets that had been
13 transmitted and removed from the P.O. Box and other places
14 during the pendency of the litigation.

15 Q. Did Mr. Faulkner ever make a representative for the
16 companies that he controlled available to you to question
17 about assets for those companies?

18 A. No, he did not.

19 Q. Did he ever provide you with the identity of a custodian
20 for the production of records?

21 A. He did not.

22 Q. Has he ever filed any -- were there any reports requested
23 of him?

24 A. The order appointing receiver requires a very detailed
25 financial accounting down to all accounts, income,

1 expenditures, et cetera, during a period of time. And I never
2 received such a report.

3 Q. Okay. To Exhibit Number R 11, sir.

4 A. Is this a document you prepared?

5 Q. Yes.

6 A. Is this a true and correct copy of that document?

7 Q. Well, it includes an email from Mrs. Faulkner and an
8 email from me to her.

9 A. Okay.

10 Q. But, yes.

11 A. And that was -- you emailed her and she emailed you back;
12 is that what you're saying?

13 Q. Or the other way?

14 A. Yes.

15 Q. I screwed that up.

16 A. Say which way it went.

17 Q. Okay. I -- I -- I sent her the email from me at the
18 bottom. At some point during the day I talked to her on the
19 phone. I then received an email from her at about 1:45 in the
20 afternoon. And it appears that it was written after our
21 conversation.

22 Q. Was this a true and correct copy of the document you
23 prepared and you received?

24 A. Yes.

25 Q. And have you maintained this document in your records

1 from the time of its reception?

2 A. Yes.

3 MR. TOMKO: All right. I would move, Your Honor,
4 for the admission of Exhibit -- Receiver's Exhibit 11.

5 MR. BOISVERT: No objection.

6 MS. FAULKNER: No objection, Your Honor.

7 THE COURT: Receiver Exhibit 11 is admitted.

8 BY MR. TOMKO:

9 Q. Does it reference a discussion about pickup from a
10 mail box?

11 A. Yes. On the second page of my email, the numbered
12 paragraph 1, advises that I have -- advises Mrs. Faulkner that
13 I have taken possession, custody, and control of the P.O. Box
14 at 3930 Glade Road in Colleyville.

15 Q. And do you -- did you see -- did she respond to that
16 document in the paragraph itself, paragraph 1?

17 A. In the conversation, yes.

18 In the return email, no.

19 Q. Okay. What did she say in the conversation, sir?

20 A. As I have said, this was a 10 to 15 minute conversation.
21 In general, she said that she had from time to time
22 retrieved the mail from Colleyville and that she had
23 transmitted it unopened to Christopher Faulkner and Jeremy
24 Wagers and that she had no documents presently in her
25 possession, custody, or control having to do with the receipt

1 of mail at Colleyville.

2 Q. Was there any mention by her of the new mail box at that
3 time?

4 A. Absolutely not.

5 Q. Call your attention your -- Mr. Taylor, to Exhibit
6 Receiver 14.

7 A. Okay. I'm there.

8 Q. All right. Is that a document that you prepared?

9 A. Yes.

10 Q. Is this a true and correct copy of that document?

11 A. Yes.

12 Q. And is it your business to retain true and correct copies
13 of those documents from the time that they're prepared?

14 A. Yes.

15 Q. All right. And Exhibit 15, sir, can you identify that?

16 A. Yes.

17 Q. What is that?

18 A. Exhibit 15 is a -- an email, correspondence, from Carole
19 Faulkner to me with a copy to my associate.

20 Q. Did you receive that document by email?

21 A. I did.

22 Q. Is this a true and correct copy of the document that you
23 received?

24 A. It is.

25 Q. Did you maintain in your records the copy of this

1 document as in the form of which it was received?

2 A. I did.

3 MR. TOMKO: Your Honor, I would move for the
4 admission of Receiver's Exhibits 14 and 15.

5 MR. BOISVERT: No objection.

6 MS. FAULKNER: No objection, Your Honor.

7 THE COURT: Receiver Exhibits 14 and 15 are
8 admitted in evidence.

9 BY MR. TOMKO:

10 Q. Exhibit 15, on the -- in the first paragraph, would you
11 read the first sentence of that -- or the first two sentences
12 of that?

13 A. "Mr. Taylor; as previously stated to you and provided in
14 writing none" in all caps "of the defendants assets or
15 communication were transferred to the Northwest Highway
16 address, only the communications and correspondence relating
17 to Breitling Royalties Corporation was transferred to that
18 address. You have no rights, power or authority to access or
19 interfere in Royalties business."

20 This had also been said to me by Mrs. Faulkner in the
21 earlier conversation I described.

22 Q. Specifically that nothing except for Breitling Royalty
23 Corporation was transferred?

24 A. That's what this says.

25 Q. And that's what she told you?

1 A. That's what she told me.

2 Q. All right. And -- and a little later in that same
3 paragraph she says "Breitling Royal ties is not an asset of the
4 defendants."

5 Is that correct?

6 A. That is right.

7 Q. And said to you you had no right to that asset?

8 A. That's right.

9 This is a discussion we had had earlier on August 15th.

10 Q. Did she make any demands of you in that document?

11 A. Yes, she did.

12 Q. And what demands were they, sir?

13 A. She demanded that I not open any mail that wasn't
14 addressed specifically to the named receivership defendants.
15 She instructed me to return any such mail other than directly
16 to the three receivership defendants to her unopened.

17 Q. Now, I call your attention to Exhibits -- Receiver
18 Exhibits 12 and Receiver's Exhibit 13.

19 Can you identify those, sir.

20 A. Exhibits 12 and 13 are standard confirmation documents
21 from the U.S. Postal services, which are transmitted to a
22 customer who has initiated an address change.

23 Q. How did you come into possession of those?

24 A. My best recollection is these were retrieved from the
25 newly discovered P.O. Box in Grapevine.

1 Q. And did you maintain these in the form that you received
2 them --

3 A. I did.

4 Q. -- since the time of reception?

5 A. I did.

6 MR. TOMKO: Okay. We would offer Exhibits R 12 and
7 R 13, Your Honor.

8 THE COURT: Any objection?

9 MR. BOISVERT: I'm sorry. No objection.

10 MS. FAULKNER: No objection, Your Honor.

11 THE COURT: Receiver Exhibits 12 and 13 are admitted
12 in evidence.

13 BY MR. TOMKO:

14 Q. Exhibit 12, sir, what does it show the entity for which
15 the address is being changed?

16 A. Breitling Oil & Gas.

17 Q. That -- that's a different company than Breitling
18 Royal ties, as represented to you by Mrs. Faulkner; is that
19 correct?

20 A. That is correct. It is the receivership entity.

21 Q. And she told you only Breitling Royal ties was
22 transferred?

23 A. She did. In writing.

24 Q. And I ask you again on Exhibit 13, what --

25 A. Exhibit 13 is a confirmation for Breitling Energy, the

1 other corporate recei vershi p enti ty.

2 Q. And this is also not a di fferent enti ty than Breitling
3 Royal ties; is that correct?

4 A. Yes.

5 Q. And both of those were recei vershi p enti ties?

6 A. Correct.

7 Q. Now, Exhibit 16, sir.

8 A. Yes.

9 Q. What -- what is that?

10 A. This is a -- an email transmitted from my associate,
11 Mr. Goforth to Mr. Blum and to Mr. Friedman and to
12 Mrs. Faulkner at my instruction.

13 Q. And what was the purpose of this email, sir?

14 A. I believe Mr. Blum had called me to complain that a
15 Breitling Royal ties account had been frozen at Citi Bank.

16 Q. And is this a true and correct copy of the document as it
17 was prepared by your office?

18 A. Yes.

19 Q. All right. And is this a document that your office keeps
20 in its business records at the time of preparation?

21 A. Yes.

22 Q. And to your knowl edge was this document sent to the
23 counsel for Mr. Faulkner?

24 A. Yes.

25 Q. And was it sent to Ms. Faulkner as well?

1 A. Right. There is substance in here also about the GI ade
2 Road mail box, third paragraph from the bottom.

3 Q. Okay.

4 MR. TOMKO: We would move for the admission of
5 Receiver 16, Your Honor.

6 MR. BOISVERT: No objection.

7 MS. FAULKNER: No objection, Your Honor.

8 THE COURT: Receiver Exhibit 16 is admitted.

9 BY MR. TOMKO:

10 Q. Okay. What -- would you tell us what it talks about as
11 far as the mail boxes are concerned, sir.

12 A. In Exhibit 16?

13 Q. Yes, sir.

14 A. I believe at this point I had told Mr. Blum about the
15 mail box change for Breitling Royalties, which we learned about
16 from Chesapeake Energy.

17 Q. Now, repeat that.

18 How did you learn about that change in mail box?

19 A. Shortly after the receipt was implemented,
20 immediately after, we served a number of oil and gas producers
21 with the order. Many of them very promptly investigated to
22 see if they had assets answering to the order.

23 I received a call from a Patrick Craine, associate
24 general counsel at Chesapeake who had received the order,
25 understood its import, and had initiated a review of

1 Chesapeake assets to see if there were any there that were
2 implicated.

3 MR. BOISVERT: Your Honor, I'm going to object to
4 the hearsay, speculation as to what he knew.

5 Or understood.

6 MR. TOMKO: He testified. The record speaks for --
7 Mr. Craine testified, Your Honor, his record speaks for
8 itself.

9 THE COURT: I'll disregard the last answer of this
10 witness and rely on the testimony of Mr. Craine.

11 BY MR. TOMKO:

12 Q. Did you subsequently take control of the new mailbox?

13 A. We did.

14 Q. Now, call your attention to Exhibit R 23, sir.

15 A. Yes.

16 Q. And what is that?

17 A. This is a -- an email from Carole Faulkner to
18 Mr. Goforth, my associate.

19 Q. Is this a true and correct copy of that email?

20 A. Yes.

21 Q. You received that -- you received that email from
22 Ms. Faulkner?

23 A. Yes.

24 Q. And you maintained custody and control of that email --

25 A. Yes.

1 Q. -- in its form from the reception?

2 MR. TOMKO: Your Honor, I move for the admission of
3 Receiver's Exhibit 23.

4 MR. BOISVERT: No objection.

5 MS. FAULKNER: No objection, Your Honor.

6 THE COURT: Receiver Exhibit 23 is admitted.

7 BY MR. TOMKO:

8 Q. Did you receive any documentation subsequent to the
9 receipt of this document from Ms. Faulkner?

10 A. No. I never received any documents from Ms. Faulkner.

11 Q. Did you ever talk to her about receiving -- picking up
12 mail from mail boxes?

13 A. Yes.

14 Q. You've talked a little bit about Chesapeake, what about
15 the new box on -- I don't mean Chesapeake, I'm sorry,
16 Colleyview -- Colleyville, the new box on route Northwest
17 Highway?

18 A. I don't recall a specific conversation with respect to
19 that.

20 Q. Okay.

21 I'll call your attention then to Receiver's Exhibit 19.
22 Can you identify that, sir?

23 A. Yes. This is an email transmitted by Mr. Goforth to
24 Mrs. Faulkner at my instruction.

25 Q. All right. Is this a true and correct copy of that

1 document?

2 A. Yes, it is.

3 Q. Was it made at or about the time that it is dated?

4 A. Yes.

5 Q. Was it forwarded to Ms. Faulkner?

6 A. Yes.

7 Q. And is it your business to maintain custody and control
8 of copies of these documents?

9 A. Yes.

10 MR. TOMKO: We would move for the admission of
11 Receiver's 19, Your Honor.

12 MR. BOISVERT: No objection.

13 MS. FAULKNER: No objection, Your Honor.

14 THE COURT: Receiver Exhibit 19 is admitted.

15 BY MR. TOMKO:

16 Q. Would you look at the first paragraph and tell us what
17 you recall about that particular event.

18 A. Yes. By this time we knew about the Grapevine mailbox.
19 I believe the SEC staff assisted us in serving them and
20 implementing our control over that mailbox.

21 On this occasion we were in telephonic communication with
22 the -- as best of my recollection we were in telephonic
23 communication with the P.O. Box proprietors and they advised
24 us that Mrs. Faulkner had attempted to access the mailbox on
25 that day.

1 Q. And did you discuss that with her at any time?

2 A. Well, certainly by this written communication, which is
3 Exhibit 19. I don't know that I talked to her directly about
4 it.

5 Q. Did you ever get any response to this that you're aware
6 of?

7 A. No.

8 Q. Exhibit R 20, sir.

9 A. Yes.

10 Q. What -- what are these?

11 A. These are examples of incoming correspondence to the
12 Grapevine mail -- mail box.

13 Q. These are documents that you retrieved from the post
14 office box?

15 A. Correct. I or persons acting at my direction, yes.

16 Q. And they are -- had been delivered by the Postal Service
17 to the addressee; is that correct?

18 A. To the new Grapevine mail box, yes.

19 MR. TOMKO: Your Honor, we would enter these -- move
20 for the entry of Receiver 20.

21 THE COURT: Any objection?

22 MR. BOISVERT: No objection.

23 MS. FAULKNER: No objection, Your Honor.

24 THE COURT: Receiver Exhibit 20 is admitted.

25 BY MR. TOMKO:

1 Q. First page is a letter to Breitling Energy; is that
2 correct?

3 A. Yes.

4 Q. At that post office box; is that correct?

5 A. Yes. Yes.

6 Q. Second letter is a document addressed to Breitling
7 Energy, correct?

8 A. Yes.

9 Q. At that post office box, correct?

10 A. At the Grapevine -- at the Grapevine P. O. Box, yes.

11 Q. Correct.

12 And -- and it is from -- I don't know how to say that
13 word, Ventana Exploration and Production Company; is that
14 correct?

15 Look at the return address up in the left-hand corner.

16 A. Ventana Exploration and Production, LLC.

17 Q. Okay.

18 And the next page is also a document to Breitling Energy
19 Corporation; is that correct?

20 A. Yes.

21 Q. And it's at the Grapevine mailbox; is that correct?

22 A. It's to the Grapevine mailbox.

23 Q. Next document is a Breitling Energy Corporation as well?

24 A. Yes.

25 Q. And it is at the Grapevine mailbox?

1 A. Yes.

2 Q. And it has a return address of S-v-e-n, Sven Energy, LLC;

3 is that correct?

4 A. Yes.

5 Q. And then the final document is to Breitling Royal ties; is

6 that correct?

7 A. That is correct.

8 Q. And -- and that is the -- the entity that Ms. Faulkner

9 said -- told you was the only entity that was receiving mail

10 at that box; is that correct?

11 A. Correct.

12 Q. And that is from Texland Petroleum; is that correct?

13 A. Yes.

14 Q. Moving along then to -- are you familiar with the term --

15 or the company called RackAlley?

16 A. I am.

17 Q. How did you become familiar with that, sir?

18 A. On or about September 29th a member of the SEC staff

19 alerted me to the fact that Mr. Faulkner was about to receive

20 proceeds, cash proceeds, either the entitlement to those

21 proceeds or the actual cash, arising from the sale of a

22 business in which he held an interest, and that business was

23 identified as RackAlley.

24 Q. And what did you do as a result of receiving that

25 information?

1 A. I immediately used the information that I had received to
2 investigate the facts and circumstances. I also contacted
3 Mr. Faulkner's counsel immediately. And my call to their firm
4 was received by Mr. -- I struggle with his name, but
5 Boisvert.

6 Q. Carter.

7 (Laughter.)

8 A. Let's say Carter, yeah.

9 Q. All right. I call your attention to Receiver's Exhibit
10 26.

11 A. Yes.

12 Q. And what is that, sir?

13 A. This is an email that I sent to Carter at or about the
14 time I -- well, it appears I sent it before I even reached him
15 by phone, to alert him to the fact that Mr. Faulkner was
16 receiving proceeds, or about to receive proceeds which in my
17 view belonged to the receivership estate.

18 Q. And did you hold a belief that that was covered by the
19 receivership order?

20 A. Of course. It was an asset of receivership defendant
21 Christopher Faulkner.

22 Q. And what you were basing that on what, sir?

23 A. The September 25th order appointing temporary receiver.

24 Q. Okay. Is this Exhibit 26 a true and correct copy of the
25 email that you sent?

1 A. It is a copy of my email to Carter. And I'm quite sure
2 that I forwarded to him an email I had already sent to
3 Mr. Arab asking him to maintain control of the liquid asset
4 involved?

5 Q. And was this in fact sent to Mr. Boisvert?

6 A. Yes.

7 Q. And is this a true and correct copy of the document as it
8 was sent?

9 A. Yes.

10 Q. And did you maintain your document in this records from
11 the time that it was sent out?

12 A. Yes.

13 MR. TOMKO: Okay. Your Honor, we would move for the
14 admission of Exhibit Receiver 26.

15 MR. BOISVERT: No objection.

16 MS. FAULKNER: No objection, Your Honor.

17 THE COURT: Receiver Exhibit 26 is admitted.

18 BY MR. TOMKO:

19 Q. So at this time did you know what the status was of the
20 proceeds from the RackAlley sale? You, yourself.

21 A. I believe from the outset I knew that the proceeds had
22 been disbursed and that Mr. Arab as one of the three partners
23 had control of all the funds, including funds destined for
24 Mr. Faulkner.

25 Q. And is that the information that you passed on to counsel

1 for Mr. Faulkner at that time?

2 A. At -- at least that much information, if not more.

3 Q. And as a follow-up, I look at Receiver Exhibit 27.

4 A. Yes. This is an email dated October 9th from me to
5 Carter.

6 Q. And is that a true and correct copy of the email?

7 A. Yes, it is.

8 Q. And did you send that email to Mr. Boisvert?

9 A. I did.

10 Q. And did you maintain in your records a true and correct
11 copy of that email?

12 A. I did.

13 MR. TOMKO: I would move for the admission, Your
14 Honor, of receiver Exhibit 27.

15 MR. BOISVERT: No objection.

16 MS. FAULKNER: No objection.

17 THE COURT: Receiver Exhibit 27 is admitted.

18 BY MR. TOMKO:

19 Q. And what was the purpose of that?

20 A. It was to make clear to Mr. Faulkner's counsel that I was
21 holding him accountable for these liquid assets that were
22 about to be disposed of unlawfully.

23 Q. Exhibit 28, sir.

24 A. Yes.

25 Q. What is that?

1 A. At about this time, October 10th, this was the day after
2 my exchange with Carter, Mr. Friedman became involved. And
3 either he initiated or I initiated another telephone
4 conference involving him and Carter.

5 Q. Is this a document that you prepared?

6 A. It is.

7 Q. Is this a document that you sent to counsel for
8 Mr. Faulkner?

9 A. It is.

10 Q. Is this a true and correct copy of that document?

11 A. Yes, it is.

12 Q. Did you maintain custody and control of this document in
13 your business records since its inception?

14 A. I did.

15 MR. TOMKO: I would move, Your Honor, for the
16 admission of Exhibit Receiver 28.

17 THE COURT: Any objection?

18 MR. BOISVERT: No objection.

19 MS. FAULKNER: No objection, Your Honor.

20 THE COURT: Receiver Exhibit 28 is admitted.

21 BY MR. TOMKO:

22 Q. Now, in the third full paragraph, can you summarize what
23 you're talking about there for the court, please?

24 A. Right. Well, during the course of the prior telephone
25 conversation Mr. Friedman asked me to put in writing what my

1 contentions were.

2 I advised him that I had already done that once but I'd
3 be happy to do it again, and I did.

4 So this third paragraph summarizes what I knew about it.
5 And I knew that three checks had been drawn to the -- well, to
6 the nominee entity.

7 I knew that the checks had been transmitted to the
8 Eastern Court addressed in Venice Beach, which I knew to be
9 Mr. Faulkner's residence.

10 I knew the checks were made to a nominee entity, U.S.
11 Property.

12 And then I also apparently knew and conveyed to
13 Mr. Friedman that on October 3rd according to the public
14 records of Wyoming Mr. Faulkner had reported to place the
15 nominee entity under the control of his personal friend
16 Shannon Bresnahan, also residing at the same address in Venice
17 Beach.

18 Q. Did you get a response to this, if you remember, sir?

19 A. I believe not. And I was -- I -- I understood that
20 action would be taken by counsel. Apparently it was not,
21 because I don't think I received any further response.

22 Q. Look at Exhibit receiver 29, please.

23 A. Yeah. I'm at 29.

24 Q. And what is that?

25 A. This is yet another letter from me to Mr. Friedman and

1 Carter and others, including an attorney who by this time had
2 come on board to represent Mrs. Faulkner.

3 And here I've summarized everything that has gone on to
4 this date. We were now about 17 days into this.

5 Q. And is this a true and correct copy of that document?

6 A. Yes.

7 Q. And was this document in fact sent to the parties that
8 you've identified?

9 A. Yes, it was.

10 Q. And did you maintain custody and control of this document
11 as part of your business records?

12 A. Yes, I did.

13 MR. TOMKO: We would move, Your Honor, for the
14 admission of receiver 29.

15 MR. BOISVERT: No objection.

16 MS. FAULKNER: No objection.

17 THE COURT: Receiver Exhibit 29 is admitted.

18 BY MR. TOMKO:

19 Q. And in this document you purport to set out specifics of
20 information that you have received up to that point; is that
21 correct?

22 A. Yes.

23 Q. And in that document you say that Ms. Bresnahan has no
24 knowledge of or connection to USPI; is that correct?

25 A. That's correct.

1 Q. Without telling us, how did you get that information?

2 A. By talking to her?

3 Q. Did you get a response to that document, sir?

4 A. Not that I recall.

5 Q. Okay. Did you then proceed to get bank records from Bank
6 of the West?

7 A. We did. With the SEC's assistance we located an account
8 which Mrs. Faulkner had opened at Bank of the West. We
9 immediately subpoenaed the Bank of the West.

10 Q. Okay. And what did you learn -- summarizing the
11 materials, not going through the documents again, but what did
12 you learn about the activity in the account at Bank of the
13 West?

14 A. We learned that Mrs. Faulkner had opened an account at
15 Bank of the West in the name of U.S. Property Investments.
16 One of the three checks to U.S. Properties was successfully
17 deposited into the Bank of the West account and the funds
18 dispersed.

19 We had managed to intercept on the other two checks and
20 Mr. Arab had cooperated in placing a freeze on the other two
21 checks on Bank of America so that Bank of the West was not
22 able to process the two checks and take the funds.

23 Actually -- actually, Bank of the West credited this bank
24 account with those two checks but immediately reversed when
25 they learned that Bank of America would not consider them good

1 funds.

2 Q. Okay. And what is -- what is the current position of
3 those two checks, the 150,000?

4 A. The funds represented by that's two checks have been
5 remitted to the receivership estate as of this time.

6 Q. And what about the 60,000 that was issued as the
7 cashier's check and the cash check?

8 A. There were two checks. The cash is gone from the
9 account.

10 Q. Have either of Mr. or Mrs. Faulkner provided you with
11 those assets?

12 A. They have not.

13 Q. Have they provided you with any information as to the
14 whereabouts of those assets?

15 A. No.

16 Q. Finally, sir, did there come a time when you received
17 notice of a complaint being filed against you?

18 A. Yes.

19 Q. And how did that come about?

20 A. A messenger arrived at my office and delivered the
21 California complaint by hand.

22 Q. Okay. And go to Exhibit 58.

23 A. That is correct.

24 Q. Is that a true and correct copy of the complaint as you
25 received it?

1 A. Yes. We received it on November 27th.

2 Q. Does that complaint make any reference at all to the fact
3 that you were acting in your capacity as a receiver for the
4 SEC as appointed by a federal court?

5 A. It does not.

6 Q. Does it identify you as anything but an individual?

7 A. It does not.

8 MR. TOMKO: We would move for the admission, Your
9 Honor, of Exhibit 58.

10 MR. BOISVERT: I have no objection, Your Honor.

11 MS. FAULKNER: No objection, Your Honor.

12 THE COURT: Receiver Exhibit 58 is admitted.

13 BY MR. TOMKO:

14 Q. Now, we spoke at the beginning when we looked at the
15 original court orders. There was a stay of litigation that
16 was included in those orders; is that correct?

17 A. Yes.

18 Q. And was that clear and understandable to you?

19 A. Of course.

20 Q. Any ambiguities in that that you noticed?

21 A. None. It is a standard provision in virtually all such
22 orders.

23 Q. Has the receivership incurred any expenses as a result of
24 this lawsuit?

25 A. We have.

1 Q. And how -- what type of expenses have you incurred,
2 sir --
3

4 A. On the following --

5 Q. -- to date?

6 A. On the following day I instructed California counsel to
7 remove the case to the United States District Court for the
8 Central District of California. Based upon the exigency of
9 time we also filed a motion to transfer it to the Northern
10 District of Texas.

11 My counsel conferred with Mrs. Faulkner, advised her that
12 we would file a 12B1 motion to dismiss for lack of subject
13 matter jurisdiction.

14 She declined to dismiss the complaint.

15 And accordingly, the 12-B1 motion has been filed.

16 Q. Okay. As of this date have you received directly or
17 indirectly from Ms. Faulkner or Mr. Faulkner any assets for
18 these corporations?

19 A. None.

20 MR. TOMKO: I have no further questions, Your Honor.

21 THE COURT: Cross-examination.

22 MR. BOISVERT: Thank you, Your Honor.

23 CROSS EXAMINATION

24 BY MR. BOISVERT:

25 Q. Good afternoon, Mr. Taylor.

1 How are you today?

2 A. I'll say Carter.

3 Q. That's fine. I'm fine with that. Nobody gets my last
4 name. Almost nobody.

5 Let's talk about the RackAlley transaction.

6 Are you contending in any way today that the sale
7 proceeds from the RackAlley transaction constitute oil and gas
8 assets?

9 A. The assets are clearly cash, liquid assets owned by
10 Christopher Faulkner.

11 Q. Well, that's not my question.

12 Are you characterizing those assets as oil and gas
13 assets?

14 A. The money?

15 Q. The proceeds from the sale of RackAlley.

16 A. No.

17 Q. Okay. And you're aware today that the RackAlley
18 transaction took place, the sale of the assets of RackAlley,
19 took place prior to the September -- September 25th, 2017
20 order --

21 A. Yes.

22 Q. Correct?

23 A. Yes, I'm aware of that.

24 Q. Okay. And you're aware that the proceeds from the sale
25 of the RackAlley transaction were distributed to USPI prior to

1 September 25th, 2017, correct?

2 A. Well, some checks were drafted. The cash was not in
3 Mr. Faulkner's account by then.

4 Q. Well, they were never in Mr. Faulkner's account.

5 A. The money was --

6 Okay. But U.S. Properties --

7 Q. Correct?

8 A. -- his nominee entity's account.

9 Q. What -- what evidence do you have that Mr. Faulkner has
10 any association with USPI?

11 A. Corporate documents on file.

12 Q. Can you direct me specifically to those, where
13 Christopher Faulkner is listed as an officer, director, or any
14 relationship whatsoever to RackAlley -- or, I'm sorry, USPI?

15 And we can start with Exhibit 35.

16 A. Well, Exhibit 35 is the document which represents that
17 Mr. Faulkner's girlfriend is the principal of the entity. I
18 infer from that that Mr. Faulkner is in control of this asset.
19 She by the way told me she had no control about it and had not
20 authorized the use of her name on this document.

21 MR. BOISVERT: I object to the hearsay and
22 nonresponsiveness.

23 THE COURT: Sustained as to nonresponsive.

24 BY MR. BOISVERT:

25 Q. This document doesn't indicate anywhere that Christopher

1 Faul kner had any association with USPI, correct?

2 A. Unless C. A. Faul kner in this instance is Christopher
3 Faul kner. It may.

4 Q. Is that your opinion?

5 A. Yes.

6 Q. Your testimony today is C. A. Faul kner on this document is
7 Christopher Faul kner?

8 A. I have seen C. A. Faul kner used interchangeably and it's
9 quite possible that this is Christopher Faul kner.

10 Q. But you don't know for sure?

11 A. Beg pardon?

12 Q. You don't know one way or the other?

13 A. No, I don't.

14 Q. Is there any evidence that you have, other than -- any
15 other evidence that you're relying on to testify that
16 Christopher Faul kner had any relationship whatsoever with --
17 was in control, an officer or director of USPI?

18 A. Yes. I relied on the testimony I heard this morning
19 indicating that Mr. Faul kner had given instructions that the
20 proceeds of the RackAlley transaction be remitted to U.S.
21 Property Investments.

22 Q. And those instructions also preceded the September 25th,
23 2017 order, correct?

24 A. I assume so.

25 Q. Is it your contention -- well, you already testified the

1 RackAlley sale proceeds do not constitute oil and gas assets,
2 correct?

3 A. The proceeds themselves?

4 Q. Yes.

5 A. No, they're not oil and gas proceeds.

6 Q. So you would agree with me that the sales proceeds are
7 not covered by the August 14, 2017 order by this court?

8 A. That the sale proceeds were not covered by which order?

9 Q. Would have been covered by the August 14th, 2017 order.

10 A. Possibly, but I don't contend here that they were.

11 I say possibly because Mr. Faulkner's interests in
12 RackAlley could have been purchased with oil and gas revenue.

13 Q. Did you just testify you're not contending that they are?

14 A. No.

15 Q. Would you agree then that if Mr. Faulkner had received
16 any sale proceeds from the sale of RackAlley prior to
17 September 25th, 2017, that he could have done whatever he
18 wanted with those proceeds?

19 A. Until the moment that the September 25th order came into
20 effect --

21 Q. Correct.

22 A. -- he could have put them in a bank and I could have gone
23 after them at the bank after September 25th.

24 Q. He could have given it to charity, he could have given it
25 to his girlfriend, he could have done whatever he wanted?

1 A. That is correct, he could have disposed of the assets
2 without my intervention prior to September 25th.

3 Q. Let's turn to Exhibit 29.

4 A. I'm sorry. I didn't get the number, Carter.

5 Q. Exhibit 29.

6 A. Yes.

7 Q. Again, this is an email that you sent to Mr. Friedman,
8 myself, and a number of other people, correct?

9 A. Yes.

10 Q. This is on October 16th, 2017?

11 A. Correct.

12 Q. What investigation had you conducted prior to sending
13 this email with respect to the RackAlley sale?

14 A. We had gotten the corporate documents I referred to.

15 I had interviewed counsel to the third partner who
16 testified this morning.

17 I had received -- I received perhaps by this point
18 documents related to the RackAlley --

19 Q. Third partner, you mean Matt Rapoport?

20 A. Yes.

21 Q. Okay. I wanted to clarify.

22 A. I had by this time seen the -- I'm sorry?

23 Q. No. That's fine.

24 A. By this time I had also reviewed the RackAlley
25 disposition documents.

1 I had also by this time subpoenaed the Bank of the West.

2 I had by this time interviewed Ms. Bresnahan.

3 Q. Now, when you spoke with Matt Rapoport in connection with
4 your investigation of the RackAlley sale, was his -- was your
5 conversation with him different then than it was today, that
6 the sale of RackAlley occurred prior to September 25th --

7 A. No.

8 Q. -- 2017?

9 A. No. And I -- let me correct something.

10 I did not talk to him. I talked to his counsel.

11 Q. Okay. Did his counsel advise you that the sale of
12 RackAlley took place after September 25th, 2017?

13 A. That the -- that the transaction had closed --

14 Q. That the assets were sold subsequent to September --

15 A. No. I knew the assets had been sold the first time I
16 heard about it.

17 Q. Okay. So the first statement in paragraph 1 of your
18 email here is -- is not correct, isn't that true?

19 A. That's -- that's right. It's not true.

20 Q. Okay. Had you been provided with a copy of the agreement
21 signed by Matt Rapoport where approximately I think it was
22 \$280,000 of the sale proceeds were to go to USPI?

23 Do you remember that exhibit?

24 A. I don't remember the exhibit.

25 I knew the number 280,000 was correct because I was also

1 advised that the three partners were entitled to an additional
2 payment a year from now or some period of time in the future.

3 Q. I'm sorry, when is that payment due to occur?

4 A. Sometime in the future, I believe up to a year from now.

5 Q. Okay.

6 A. I -- I don't know the precise period of time.

7 Q. Okay. But that hasn't happened?

8 A. As far as I know it hasn't, no.

9 Q. And just to clarify. With respect to the \$210,000 in
10 sale proceeds that you contend were -- were to go
11 Mr. Faulkner, how much was actually unaccounted for?

12 A. 60,000.

13 Q. Okay. So you said 10,000 in cash and then another --
14 another check for \$50,000?

15 A. Right. The -- the \$60,000 check was successfully
16 deposited into the Bank of the West account. There was then a
17 \$10,000 counter check and a -- another check purchasing a
18 \$50,000 certified check --

19 Q. Okay.

20 A. -- or cashier's. I'm not sure which.

21 Q. And what facts do you have or evidence do you have to
22 support that Christopher Faulkner has any -- is a signer, has
23 any access to that Bank of the West account where that \$60,000
24 was deposited?

25 A. Well, his mother certainly has access to it.

1 Q. Okay. But you don't have any evidence that Christopher
2 Faulkner does?

3 A. One or the other of them has the cash.

4 Q. Okay. So is it your testimony today that you don't know
5 who's on the bank account?

6 A. I don't know who what?

7 Q. You don't know who has access to the bank account
8 specifically? Could be one or the other?

9 A. It could be both.

10 Q. What evidence do you have that they're both signers on
11 the account?

12 A. I don't.

13 Q. Okay. You're just speculating?

14 A. You have the documents -- bank opening documents that are
15 in evidence.

16 Q. And those don't name Christopher Faulkner on them
17 anywhere, do they?

18 A. Well, C.A. Faulkner is on there.

19 As I said in the case of the CitiBank accounts that have
20 been before the court today, it's difficult to tell who C.A.
21 Faulkner is. Could be either.

22 Q. Do you have any facts or evidence to support that any of
23 those sale proceeds went to Christopher Faulkner?

24 A. No.

25 Q. Now, when the SEC originally sought an order appointing a

1 temporary receiver in this case, I'm sure you reviewed those
2 initial pleadings requesting that relief, correct?

3 A. Well, they were voluminous, but yes.

4 Q. And you were aware that they actually obtained that order
5 appointing temporary receiver without notice and under seal,
6 correct?

7 A. I knew that it was under seal. I'm not sure about the
8 notice.

9 Q. Okay. And how did you personally serve Mr. Christopher
10 Faulkner with the TRO and the August 14th, 2017 order
11 appointing temporary receiver?

12 A. The SEC served him, I didn't.

13 Q. Oh, I'm sorry.

14 Do you know how the SEC served him?

15 A. Well, they certainly notified Mr. Friedman, immediately.
16 How they delivered the box of documents I do not know.

17 I do know how Mrs. Faulkner was served, because I went to
18 the residence with the process server with the documents.
19 And I -- I left before they actually delivered them to her,
20 but I am informed that they were personally served, all of
21 them in a box.

22 Q. Okay. Do you know how they were personally served on
23 Carol e Faulkner?

24 A. Carol e, yeah.

25 Q. In person?

1 A. Yes.

2 Q. The scope of the -- in the motion filed by the SEC
3 seeking a temporary receiver in this case, the relief that the
4 SEC was seeking in this case was much broader than what was
5 actually granted in that original August 14th, 2017 order,
6 correct?

7 A. My recollection is that there was some limitation on the
8 relief initially sought in the first temporary order.

9 Q. I mean, they were seeking a temporary receiver over all
10 of what are now defined as receivership defendants assets,
11 correct?

12 A. I can't say specifically.

13 Q. But it certainly wasn't limited to just oil and gas
14 assets?

15 A. No.

16 Q. Okay. You would also agree with me that Breitling
17 Royal ties Corporation is not a party to this SEC action?

18 A. I admit they're not a named receivership entity. By
19 definition they are a party to it.

20 Q. They're not a -- they're not a defendant.

21 A. Correct.

22 Q. And as of today they're still not a defendant in this
23 case, correct?

24 A. Not a named defendant, correct.

25 Q. And neither is Carole Faulkner?

1 A. Not at this point.

2 Q. Okay. And neither is USPI?

3 A. Nope.

4 Q. And neither is RackAlley?

5 A. Correct.

6 Q. Subsequently to the entry of the August 14, 2017 order,
7 the SEC sought a -- a broader order appointing temporary
8 receiver, correct?

9 A. Well, I think they renewed their original application. I
10 think that's probably the way to describe it.

11 Q. And that resulted in the September 25th, 2017 order.

12 You would agree that the August 14th, 2017 order does not
13 specifically name Breitling Royal Ties Corporation in it
14 anywhere, correct?

15 A. It's not specifically named by name in the order,
16 correct.

17 Q. And it is in the September 25th, 2017 order, correct?

18 A. Actually, it's addressed in the judge's memorandum
19 opinion.

20 Q. Which is dated September 25th --

21 A. Yes.

22 Q. -- 2017?

23 Now let's take a look at Exhibit 43.

24 Well, just going back to the RackAlley transaction real
25 quick, I'm sorry, when you first addressed the RackAlley

1 transaction I believe was in your first amended order -- I'm
2 sorry, first amended motion for order to show cause regarding?
3 Contempt, correct?

4 A. The second amended motion for order to show cause
5 addressed RackAlley.

6 Q. Second amended motion.

7 A. Yes.

8 Well --

9 Q. Well, I believe it was the first -- amended --

10 A. The first amended, yes.

11 Q. We only had two amendments, correct?

12 A. Yes.

13 Q. And the second one I believe addressed the --

14 A. The second amended addresses Mrs. Faulkner's filing of
15 the California complaint.

16 Q. Right. So at the time you filed the second -- I'm
17 sorry -- the first amended motion for order to show cause,
18 you're aware at that time, and you weren't asserting, that the
19 sale proceeds from the RackAlley sale constituted oil and gas
20 assets, correct?

21 A. No.

22 Q. You were seeking contempt of the September 25th, 2017
23 order, correct?

24 A. Correct.

25 Q. And you were aware when you filed that motion that the

1 sale of RackAlley -- of RackAlley's assets had taken place
2 prior to September 25th, 2017?

3 A. I was aware that the sale of assets had occurred prior,
4 yes.

5 Q. And you were aware that checks had already been issued
6 with respect to those sale proceeds --

7 A. Not sure about that. I'm not sure about that.
8 The check certainly hadn't been cashed.

9 Q. You weren't aware when you filed your motion when the
10 checks were issued?

11 A. I can't say one way or the other.

12 Q. Okay. But you know now that the -- they were issued
13 prior to September 25th --

14 A. I have it heard that.

15 Q. -- 2017?

16 A. It wouldn't have made any difference in my
17 determination.

18 Q. And the order issued to USPI?

19 A. Correct.

20 Are we -- are we still going to talk about --

21 Q. Yes. I'm sorry --

22 A. -- 43?

23 Q. -- to jump around.

24 We'll go to Exhibit 43.

25 THE COURT: We'll take a break here if you're about

1 to shift gears.

2 Let's take a 15 minute break and we'll resume at 3:15.

3 (Recess taken at 3:00.)

4 (Proceedings resumed at 3:15.)

5 THE SECURITY OFFICER: All rise.

6 THE COURT: You may resume.

7 THE WITNESS: Counsel, I did have a request to
8 supplement.

9 CROSS EXAMINATION (Cont.)

10 BY MR. BOISVERT:

11 Q. Yeah. I'm sure your counsel will address that on
12 redirect.

13 I wanted to start by, before we broke we were going to
14 take a look at Exhibit 4.

15 Do you have that in front of you?

16 A. Did you say 4?

17 Q. I'm sorry. That's my exhibit number.

18 It's the Exhibit 43 in your book, which is the August
19 14th, 2017 order appointing temporary receiver.

20 A. Yes, I have it.

21 Q. Okay. At the bottom of the first paragraph and
22 continuing on to -- at the bottom of the -- I'm sorry -- at
23 the bottom of the page, the very last line, the very end,
24 carrying onto the second page, the first two lines, it's --
25 it's got who the order identifies as the receiver ship

1 defendants, correct?

2 A. Yes.

3 Q. And those are defendants Christopher A. Faulkner,
4 Breitling Oil & Gas Corporation, and Breitling ENERGY
5 Corporation, correct?

6 A. Correct.

7 Q. Those are all defined as the receivership defendants,
8 correct?

9 Those are the only receivership defendants, correct?

10 A. They're the only receivership entities.

11 The receivership assets are separately defined.

12 Q. Right. The receivership defendants are defined as those
13 three --

14 A. Correct.

15 Q. -- parties.

16 And then the sentence continues on, including all oil and
17 gas revenue from oil and gas operators or others payable to
18 any of the receiver defendants, I'd emphasize, payable to any
19 of the receivership defendants, and all oil and gas assets
20 held in the name of any of the receivership defendants.

21 And then there's in parenthesis and in quotes that's
22 defined as receivership assets, correct?

23 A. Correct.

24 Q. You would agree with me that -- and, again, I think I
25 asked you this before, but Breitling Royalties Corporation is

1 not specifically mentioned in this order anywhere, correct?

2 A. It's -- it's not mentioned by name.

3 Q. And, in fact, in the correspondence that we were looking
4 at between both you and Carole Faulkner as well as you and --
5 and my law firm, there was some disagreement with respect to
6 the attorneys that had received this order as to whether it
7 applied to Breitling Royal Ties Corporation, correct?

8 A. Well, Mrs. Faulkner certainly contended that it wasn't
9 covered. She contended that nothing was covered other than
10 the specifically named entities. I'm not sure whether
11 Mr. Blum took that same position or not.

12 MR. BOISVERT: Sorry, Your Honor. My note cards
13 just fell all over the floor. I'll just need a second.

14 (Pause.)

15 BY MR. BOISVERT:

16 Q. If we could turn to Exhibit 16?

17 A. 1-5?

18 Q. I'm sorry?

19 1-6. I'm sorry.

20 A. 1-6. Yes.

21 Q. In the second paragraph -- and, again, this is an email
22 from Andrew Goforth to Josh Blum at Friedman and Feiger and
23 Larry Friedman at Friedman & Feiger and Carole Faulkner is
24 copied on this as well, correct?

25 A. Right. This is from Mr. Goforth to Mr. --

1 Q. Blum --

2 A. -- Blum and Mr. Friedman.

3 Q. Yes. And the second paragraph Mr. Goforth writes, "You
4 have raised the question as to whether -- I'm sorry -- you
5 have raised a question as to whether Breitling Royal ties
6 account has been frozen at Citi Bank. I'm awaiting a detailed
7 situation report for Citi as to" --

8 THE COURT: Slow down just a little.

9 BY MR. BOISVERT:

10 Q. I'm sorry.

11 -- "as to accounts located and blocked. In any case, if
12 a Breitling Royal ties account has been blocked, that is
13 clearly within the scope of the order appointing temporary
14 receiver on two independent bases" and then Mr. Goforth lists
15 bases on which you believe Breitling Royal ties Corporation is
16 encompassed within the scope of that order.

17 Was this in response to a query by Mr. Blum as to whether
18 Breitling Royal ties Corporation was covered?

19 A. This was in a response to a complaint that a Breitling
20 Royal ties account had been frozen at Citi.

21 Q. Right. So you would agree with me that Mr. Faulkner's
22 attorneys had questioned whether Breitling Royal ties
23 Corporation and its assets were part of the August 14th, 2017
24 order?

25 A. Well, they had a contention. I don't know what their

1 view was.

2 Q. That's the way they interpreted the order, correct?

3 A. I don't know.

4 Q. That Breitling Royal ties was not a part of that order?

5 There was certainly a question --

6 A. There was --

7 Q. There was a disagreement on that point?

8 A. There was a contention that the Breitling Royal ties
9 account should not have been frozen.

10 Q. By attorneys, both Carole Faulkner and Mr. Blum, who are
11 attorneys, had --

12 A. Correct.

13 Q. -- had a -- had a contention that Breitling Royal ties was
14 not included within the scope of that order?

15 A. Correct.

16 Q. And after there was this disagreement, or these
17 contentions with respect to whether the order applied to
18 Breitling Royal ties, was there an effort made by either you or
19 the SEC to seek some clarification from the court with respect
20 to whether your authority extended to Breitling Royal ties
21 Corporation?

22 A. There was not. We thought it was very clear that the
23 order was drawn broadly enough to reach the myriad entities
24 associated with the receivership entities. Particularly in
25 light of the commanding evidence, which had already been

1 placed before the court on the application.

2 Q. Well, there were subsequently motions filed with the
3 court that led to the court's September 25th, 2017 order,
4 correct?

5 A. Correct.

6 Q. And that expanded the scope of your authority as a
7 receiver over the receiver defendants?

8 A. Well, it expanded it beyond the oil and gas assets.

9 Q. Right.

10 A. I don't know that it expanded as to oil and gas assets,
11 because we already believed we had those within the scope.

12 Q. But it wasn't until September 25th, 2017 that the court
13 specifically identified Breitling Royal ties Corporation and
14 its assets as within the scope of your authority as a
15 receiver.

16 A. By name, yes.

17 Q. By name.

18 As a receiver appointed by the court you're afforded very
19 broad powers with respect to what you're allowed to do in
20 furtherance of the court's directive and the order appointing
21 you as a receiver, correct?

22 A. Yes.

23 Q. And in connection with that -- those broad powers and
24 authority, I mean, you are pretty thorough in your
25 investigations and with -- before you make certain allegations

1 with respect to -- or taking action with respect to certain
2 assets, correct?

3 A. Correct.

4 Q. Like you did with the -- the RackAlley transaction?

5 A. That's what I wanted to supplement on.

6 You asked me for a narrative of what I did to
7 investigate. Would you like me to do that now?

8 Q. You can do that on redirect.

9 A. Okay.

10 Q. And certainly you wouldn't come in -- well, let's talk
11 about Shannon Bresnahan for instance. You've come in to court
12 today and testified about conversations that you've had with
13 Ms. Bresnahan, --

14 A. Yes.

15 Q. -- correct?

16 Have you taken her deposition?

17 A. No.

18 Q. Have you obtained an affidavit or declaration from
19 Ms. Bresnahan?

20 A. I think she may have signed a declaration. I'm not sure.
21 She was certainly sent one.

22 Q. But you don't have one?

23 A. Well --

24 Q. You sure don't have a signed declaration from her?

25 A. A signed declaration from her?

1 Q. Correct.

2 A. No, I do not.

3 Q. And you're asking this court to rely on your
4 interpretation of your conversations with her without any
5 support from Ms. Bresnahan herself as to what she actually
6 told you?

7 A. To some extent.

8 Q. And when you make representations in court that Carole
9 Ann Faulkner was not specifically identified with respect to
10 the Bank of the West account as a signer, that's not correct,
11 is it?

12 A. She's a signer on the account.

13 Q. That's not what you testified to earlier, is it?

14 A. I said that C. A. Faulkner was a signer on the account.

15 Q. You testified you didn't know one way or the other who
16 was a signer, could be Chris, could be Carole.

17 A. It's -- it's rather difficult to find out because
18 Mrs. Faulkner would not answer that question.

19 Q. Well, could you turn to Exhibit 30, please?

20 Does that not list Carole Ann Faulkner as a signer for --
21 on the Bank of the West account for U.S. Property Investments?

22 A. That's what it says. She absolutely is a signer.

23 MR. BOISVERT: I pass the witness.

24 MS. FAULKNER: No questions, Your Honor.

25 MR. TOMKO: Just briefly, Your Honor.

1

REDIRECT EXAMINATION

2 BY MR. TOMKO:

3 Q. Just to clarify the record, Exhibit -- Receiver Exhibit
4 32, what is the date on that deposit slip for the \$60,000
5 check, sir?

6 A. I believe it's September 26th.

7 Q. And that's after the 25th; is that not correct?

8 A. Correct. Correct.

9 Q. And on the next page, what is the date of that deposit
10 slip?

11 A. The deposit slip for \$80,000?

12 Q. No, for the 150. Very top of the page.

13 A. The date is October 11th, '17.

14 Q. And that's after the 25th of September, is it not?

15 A. Correct.

16 Q. And Exhibit 33, the cashier's check and the check to
17 cash, could you identify a date on those?

18 A. It's October 17th of '17, I believe.

19 Q. And that also is after the 25th of September, is it not?

20 A. Yes.

21 Q. Now, looking at Exhibit 43 --

22 A. Yes.

23 Q. -- this is the original August 14th, 2017 order; is that
24 correct, sir?

25 A. Yes.

1 Q. And -- and does it not say that the court finds that,
2 based on the records of these proceedings, the appointment of
3 a temporary receiver in this action is necessary and
4 appropriate for the purposes of marshalling and preserving all
5 oil and gas related assets-in any form or of any kind
6 whatsoever-owned, controlled, possessed, or managed, directly
7 or indirectly, by the three named entities?

8 Is that correct?

9 A. Yes.

10 Q. And is it your testimony that the "controlled" -- that --
11 that -- is it your testimony that you believed, and you
12 believe today, that Mr. Faulkner controlled Breitling
13 Royal ties at the time?

14 A. Yes.

15 Q. Okay. Now, you wanted to correct or supplement your
16 testimony at one point, sir.

17 A. Right. I gave a narrative answer of what investigation I
18 made of the RackAlley proceeds and the transaction. I omitted
19 that I had interviewed two or three times Mr. Arab, who told
20 me that the checks --

21 MR. BOISVERT: Objection to hearsay, Your Honor.

22 THE COURT: Are you offering it for the truth?

23 MR. TOMKO: We're offering it for his state of mind,
24 Your Honor.

25 THE COURT: Well, I'm not sure his state of mind is

1 really relevant, so I'll sustain the objection.

2 MR. TOMKO: Okay. Okay.

3 THE WITNESS: In any case, I interviewed him two or
4 three times.

5 MR. TOMKO: I have no further questions, Your Honor.

6 THE COURT: Recross?

7 MR. BOISVERT: Thank you, Your Honor.

8 Just real quick.

9 RECROSS EXAMINATION

10 BY MR. BOISVERT:

11 Q. On Exhibit 32 --

12 A. Yes.

13 Q. -- again, Carole Ann Faulkner was the signer for the Bank
14 of the West account, correct?

15 A. That is -- that is what the signature card says, yes.

16 Q. Right. And the \$60,000 was paid to the order of U.S.
17 Property Investments, Inc., and deposited into the Bank of the
18 West account, correct?

19 A. Which check?

20 Q. Are you talking about the --

21 A. I'm sorry. It's on the bottom of Exhibit 32.

22 A. Yes.

23 Q. And that check is dated September 21, 2017?

24 A. Yes.

25 Q. And that was issued by RackAiley to USPI?

1 A. Yes.

2 Q. Correct?

3 And that predates the September 25th order, correct?

4 A. The making of this check?

5 Q. Yes.

6 A. Yes.

7 MR. BOISVERT: Pass the witness.

8 THE COURT: Any further questions?

9 MR. TOMKO: None, Your Honor.

10 THE COURT: Thank you, sir. You may step down.

11 MR. TOMKO: Receiver rests, Your Honor.

12 THE COURT: Mr. Boisvert.

13 MR. BOISVERT: Defendant Faulkner rests.

14 THE COURT: Ms. Faulkner.

15 MS. FAULKNER: Known parties USPI and Carole
16 Faulkner rest.

17 THE COURT: Mr. Tomko, do you or your colleague wish
18 to present any argument?

19 MR. TOMKO: I wish to.

20 I have nothing prepared. But I will be happy to speak.

21 We have divided this into three separate segments.

22 The oil and gas segment, which evolves predominantly
23 around the checks received at the original Colleyville bank
24 account -- excuse me -- post office box and then later at the
25 Northwest Highway post office box. Those checks are

1 predominantl y by identifi cation of return receipt addresses of
2 oil and gas representative companies. That mail box was not
3 disclosed to the receiver. In fact, it was -- there were
4 opportunities abounded that gave each of the defendants an
5 opportunity to tell the receiver about the new post office
6 box. When they received the -- when he learned of the post
7 office box Ms. Faulkner directly misled him by saying that
8 only the mail for Royal ties was being transferred to that box,
9 when, in fact, we see that the transfers covered both Oil &
10 Gas and Energy Company.

11 The -- the assets that were received in both of those
12 boxes were oil and gas assets that should have been retained
13 at all times for the benefit of the receivership. We know
14 that assets were taken from there by Ms. Faulkner the Friday
15 before the receiver took custody of that box. We know that
16 she attempted to remove documents from the second mail box
17 after the receiver had obtained custody of that mail box.

18 And we -- we know that those documents were never made
19 available to the receiver. No accounting of those documents
20 were ever made to the receiver. No documents about the
21 existence of those companies during the period after the
22 seizure by the federal government was ever made available to
23 the receiver.

24 What we have shown is though that all of these companies,
25 the -- the Breitling companies were interrelated.

1 We have shown that the ownership is interrelated and
2 revolves around Christopher Faulkner.

3 We've shown that the management was interrelated and
4 revolves around Christopher Faulkner.

5 We have shown that the handling of the proceeds and the
6 assets were all interrelated and surrounded by Christian
7 Faulkner -- Christopher Faulkner.

8 And we have also shown that the money was being
9 interchanged between these various entities during the period
10 of time leading up to the beginning of the SEC investigation.
11 There's no testimony in this record that that ever stopped,
12 that there was ever an opportunity where Mr. Faulkner did not
13 control all of the assets of all of those companies right up
14 until today, Your Honor.

15 So as far as the contempt of this court's order, the
16 court's order, the court can take notice of its own orders.
17 They're very clear and concise as to what is covered,
18 anything, all related, controlled, directly, indirectly, by
19 Mr. Faulkner, Breitling Oil & Gas or Breitling Energy. And we
20 have shown I think clearly convincingly that those things are
21 interwoven and that there was an intentional aspect of this
22 case was the removal of assets that should have been for the
23 receiptership from these oil and gas companies and the related
24 entities.

25 As far as the RackAlley situation is concerned, those

1 assets became available to Mr. Faulkner. He had them in his
2 possession. He directed that they be sent to his mother's
3 account at the entity in the Bank of the West. He directed
4 that they be called -- that -- that they be designated as
5 payments to him for services rather than in his one-third
6 ownership position. And -- and he directed that they be sent
7 to his address to the entity into which Mrs. Faulkner
8 attempted to deposit those documents -- those assets. Those
9 assets were specifically attempted to be cleared and created
10 into the bank account after the court's second order.

11 I would contend, Your Honor, based upon the information
12 before this court that those assets were covered by the first
13 order, that the first order is not strictly an oil and gas
14 order. But be that as it may, it's irrelevant, because the
15 second order was already -- was already published before the
16 attempts were made to move the money and those checks, and
17 that \$60,000 was removed from that account by the Faulkners
18 after this court issued its September 25th order.

19 We showed that -- that the company that Mrs. Faulkner
20 purports to be in charge of, they have changed the ownership
21 at least three times. She was in a -- first gentleman,
22 Mr. -- I believe his name was -- I think it was Rigs (sic),
23 started it, transferred it to Mrs. Faulkner. She then
24 transfers it to a -- an associate of Mr. Faulkner. And then
25 10 days later they send it back to the man who formed it,

1 without a president, without a vice president. As far as we
2 know the company as of today has no officers and directors,
3 that it -- it has just this one gentleman who we have no idea
4 who he is. We contend that those assets are receivership
5 assets properly covered by the order and should probably be
6 returned to the receivership.

7 Finally, the third matter would be the suit filed by
8 Ms. Faulkner. We believe that that is a direct violation of
9 the court's order staying all litigation and directing that
10 any actions that were to be undertaken be undertaken in front
11 of this court, in this room. She is an attorney. She had
12 access to all these documents that the court has issued. They
13 are clear, concise. They are not -- they are not subject to
14 any -- that anyone has testified to any ambiguity that says
15 that there was a -- a space for Ms. Faulkner to sue
16 Mr. Taylor.

17 We also think that it -- that it shows the intent that --
18 by Ms. Faulkner to violate this order specifically by not
19 addressing the fact in the complaint that she filed that
20 Mr. Taylor was in fact a receiver of a Federal District Court
21 for the Securities and Exchange Commission.

22 Based on all that, Your Honor, we believe that the court
23 is within its purview to find these people and this company in
24 contempt of this -- orders of this court.

25 And we would, Your Honor, ask the court to:

1 One, return the -- have them return the \$60,000 that was
2 taken from the Bank of the West;

3 We would ask them to relinquish any asset -- any interest
4 to the proceeds that were -- came from the RackAlley --
5 RackAlley sale, to give up all claims, all rights and all
6 actions;

7 That they not sue any of the other RackAlley people as
8 they have threatened to as recently as last Friday for turning
9 assets or holding assets for the receivership;

10 That all proceeds from all oil and gas revenue that has
11 been taken into custody since April of 2016, the time that the
12 SEC filed its complaint, be accounted for, the information
13 being provided to the receiver and those assets being made
14 available to the receiver for the purpose of paying back the
15 investors;

16 That all the mail taken from the two mail boxes since
17 April of 2016 be returned to the receiver or accounted for and
18 all proceeds that were proceeded from that mail be accounted
19 for and returned to the receiver;

20 That all documents that reflect covered financial
21 transactions by the entities since the time that the documents
22 were taken by the SEC or the Department of Justice or the IRS
23 be turned over to the receiver;

24 That they make available corporate representatives for
25 the companies for the purpose of being deposed or at least

1 questioned by the receiver to identify assets that are subject
2 to the receivership;

3 That they include -- that -- we have not talked about
4 this, but there -- there are a bunch of cashier's checks out
5 there from the sale of Mr. Faulkner's home that have
6 disappeared, and we would like them to be -- get -- get an
7 accounting of the location and disposition of those assets.

8 And we would ask for the attorney's fees for this
9 proceeding that have been incurred by the receivership to have
10 to bring these contempt citations;

11 We would ask for all the attorney's fees that have been
12 incurred by the receivership for the suit in California;

13 And we would ask for the dismissal of the L.A. case with
14 prejudice;

15 And we would ask that if the court finds it necessary that
16 the defendants be placed in custody until they have satisfied
17 these requirements of the court.

18 One other thing that I failed to -- to mention in my
19 argument is that the court may take an adverse inference from
20 all of the testimonies that was generated through Ms. Faulkner
21 and Mr. Faulkner. We asked them several questions, and the
22 court is free to make an adverse inference in this civil
23 action to their invocation of their Fifth Amendment privilege.

24 Based on all that, Your Honor, we believe that you would
25 be justified in finding them in contempt and providing the

1 relief that we have requested.

2 Thank you.

3 THE COURT: Thank you, counsel.

4 Mr. Boisvert.

5 MR. BOISVERT: Thank you, Your Honor.

6 With respect to the first segment that Mr. Tomko
7 addressed, Breitling Royalties Corporation, I don't there
8 there's -- I think the evidence is very clear that the August
9 14th, 2017 order itself was unclear, Your Honor. All of the
10 attorneys that reviewed that order on behalf of, well, Carol
11 Faulkner on her own behalf and my law firm on behalf of
12 Mr. Faulkner, had some dispute as to whether that order
13 applied to Breitling Royalties Corporation. That resulted in
14 motions practice before this court. It resulted in a
15 September 25th order, where for the first time Breitling
16 Royalties Corporation was addressed specifically.

17 And, again, Your Honor, this is a -- a criminal contempt
18 proceeding. The Supreme Court I think has made very clear, as
19 have other circuit courts, that before you find somebody in
20 contempt the order has to be crystal clear with respect to the
21 conduct that is -- is violative or would violate that order,
22 and I don't think in this case that the August 14th, 2017
23 order is crystal clear with respect to whether it applies to
24 Breitling Royalties Corporation.

25 With respect to the interrelation of the Breitling

1 entities and the ownership of those entities, there was no
2 evidence presented today with respect to that ownership or
3 control since the August 14, 2017 order.

4 The Breitling employees that testified, the Breitling
5 witnesses that were both testifying as to the status of the
6 Breitling Royal ties Corporation as of 2010 and 2012, I
7 believe, despite the fact that there were later filed public
8 information reports that could have been provided to them that
9 they could have reviewed to have subsequent information about
10 the ownership and -- and who the directors of this -- of that
11 company was.

12 The other testimony related to that is Mr. Soward's
13 summary testimony, which, again, all predates the relevant
14 time period in this -- that's subject of this hearing today,
15 Your Honor. As a matter of fact, none of it -- none of it
16 applied to any documents reviewed that were dated in 2017, and
17 I think Mr. Soward's testified that all this testimony was
18 February 2016 -- related to February 2016 or before.

19 With respect to RackAlley, I think it's simple, Your
20 Honor. Even Mr. Taylor concedes in his testimony that the
21 sale proceeds from the RackAlley asset sale were not oil and
22 gas assets, clearly not covered by the August 14, 2017 order.

23 The sale took place, as Mr. Rapoport testified, prior to
24 the September 25th order. The funds were disbursed to USPI
25 per an agreement that Mr. Rapoport signed. Checks were

1 distributed to USPI. They were deposited -- deposited into a
2 Bank of the West account. There's no evidence that
3 Mr. Christopher Faulkner had anything to do with that account
4 and there's no evidence today that any of the funds from the
5 proceeds of that sale ended up in Mr. Faulkner's possession.

6 With respect to the adverse inference request, Your
7 Honor, I would just say again, they're asking for a criminal
8 contempt here. My client has taken the Fifth Amendment -- has
9 asserted his Fifth Amendment rights. And in order to have an
10 adverse inference there has to be some corroborating evidence,
11 and so I would just ask the court to the extent that no such
12 evidence exists -- and I think with respect to a lot of the
13 allegations asserted by the receiver in its motions there is
14 no support of evidence, at least to support a contempt of the
15 court's either August 14th order or the September 25th order,
16 that no such corroborating evidence exists.

17 The counsel for the receiver has gone through a litany of
18 relief that he's requested. I don't believe a majority of
19 that was included in -- his original motion papers. A lot of
20 that I'm hearing for the first time. We would ask -- well, we
21 would ask that the motions are denied in their entirety and to
22 the extent that any of that relief has not been requested
23 before, that that be denied.

24 I thank you for your time today, Your Honor.

25 THE COURT: Ms. Faulkner.

1 MS. FAULKNER: No, Your Honor, we're not going to do
2 closing arguments.

3 THE COURT: Rebuttal?

4 MR. ROSS: Your Honor, if I may.

5 Very briefly. Just wanted to cover a couple of points.
6 First, to clarify, this is a civil contempt proceeding, that's
7 our contention; and the only custodial remedy we're seeking is
8 if the respondents do not purge themselves of their contempt.
9 That is solely within their control. This is a -- a criminal
10 contempt proceeding requires a jury. We believe this is an
11 adversary proceeding. We believe an adverse inference would
12 be appropriate here. We believe there is corroborating
13 evidence on each and every point for which we would seek an
14 adverse inference.

15 One other point that was not raised directly -- I don't
16 believe was raised directly at the hearing itself, but -- but
17 was certainly a -- a subject of some of the motion papers,
18 was whether the -- the entities may be held in -- in contempt
19 because their corporate representatives happen to be people
20 who have asserted their Fifth Amendment rights. We believe
21 that the entities and those corporate representatives can be
22 held in contempt. And the Fifth Amendment should not be used
23 as a King's X against the corporate entities cooperating with
24 the recipient.

25 This has been addressed clearly in Braswell v United

1 States, by the Supreme Court, that's 487 U.S. 99, where the
2 court says, "A custodian may not resist a subpoena for court
3 records on Fifth Amendment grounds."

4 Your Honor, this issue has been addressed by lower courts
5 as well. And in interpreting Braswell and the appropriate
6 recourse, Braswell itself involved a single shareholder LLC,
7 who -- who had been named the corporate rep and he was
8 asserting his Fifth Amendment right. Courts have addressed
9 this in interpreting Braswell to say that the -- the recourse
10 available in that situation is for the corporation to appoint
11 a different corporate representative who will not be asserting
12 his Fifth Amendment right.

13 We believe that -- that it is certainly the individual
14 parties, the human parties, who have Fifth Amendment rights.
15 That is their right to assert the Fifth Amendment. But it is
16 obstructive of the receivership for the corporate entities to
17 not participate and not to cooperate based on who happens to
18 have been appointed representative of those entities.

19 I have nothing further, Your Honor.

20 THE COURT: All right. Thank you, counsel.

21 I will be taking the motion as amended under advisement
22 and issuing a ruling after I deliberate.

23 One matter I do want to place on the record.

24 The temporary receiver filed on December 5, 2017, a
25 motion to strike testimonial statements in nonparty Carole

1 Faulkner's response. That motion is denied as moot, because
2 I'm going to be basing my decision only on the evidence
3 presented during this hearing, either by live testimony or by
4 exhibits. So there's no need to strike evidence that is in
5 written submissions, because I won't be considering it.

6 All right. Thank you, counsel.

7 At this time the matter is submitted.

8 THE SECURITY OFFICER: All rise.

9 (End of proceedings.)

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I, PAMELA J. WILSON, CSR, certify that the foregoing is a transcript from the record of the proceedings in the foregoing entitled matter.

9 I further certify that the transcript fees format comply
10 with those prescribed by the Court and the Judicial Conference
11 of the United States.

This is the 15th day of February, 2018.

s/Pamel a J. Wi l son

PAMELA J. WILSON, RMR, CRR
Official Court Reporter
The Northern District of Texas
Dallas Division